

AEV Results of Operations January - June 2005

FINANCIAL HIGHLIGHTS

For the Period	1H '04	1H '05	% change
Total Operating Revenues	10,130	11,810	17%
Equity in Net Earnings of Investees	674	1,221	81%
Net Income to Common	1,227	1,718	40%
EBITDA	2,809	3,385	21%
At the End of the Period	Dec '04	Jun '05	
Total Assets	34,797	34,563	-1%
Cash & Cash Equivalents	4,384	2,771	-37%
Investments	12,958	13,929	7%
Total Liabilities	15,251	13,762	-10%
Stockholders' Equity	19,194	20,424	6%
Per Share	1H '04	1H '05	
Book Value Per Share	3.48	3.86	11%
Earnings Per Share	0.25	0.36	41%
Ratios	Dec '04	Jun '05	
Net Debt to Equity Ratio	0.38:1	0.38:1	
Current Ratio	1.34:1	1.27:1	

NOTE: All figures in million pesos, except Earnings Per Share (EPS) and Book Value Per Share indicated in pesos.

Your company ended the first half of this year with a net income of P1.72 billion, a 40% increase over the first semester of 2004. This is equivalent to P0.36 in earnings per share (EPS).

AEV's earnings before interest, taxes, depreciation and amortization (EBITDA) improved by 21% to P3.39 billion.

AEV's four business groups contributed strong earnings, with growth coming from the power and banking sectors.

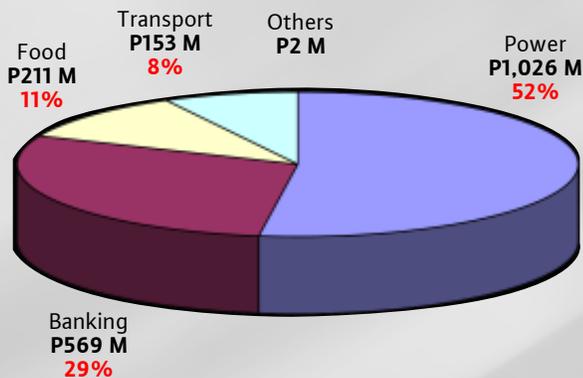
POWER GROUP

The power group's contribution of P1.03 billion is up 86% over the same period last year. This represents 52% of the total contributions from AEV's business segments.

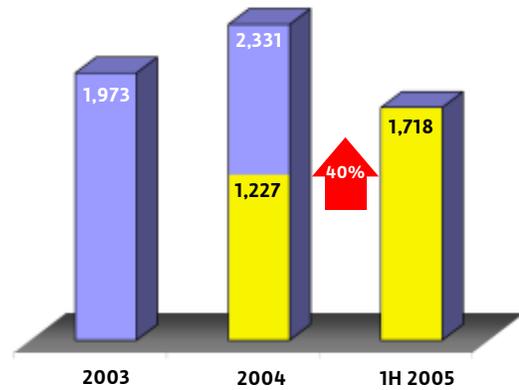
Distribution companies

AEV's distribution utilities contributed a total of P573 million to the company's income in the first half of 2005, up 51%. Taking into account AEV's share in the company, the combined gigawatt-hour (gwhr) sales of the distribution utilities grew by 4% to 1,228 gwhrs. All of AEV's distribution utilities registered significant earnings growth due mainly to higher margins and increased operating efficiencies.

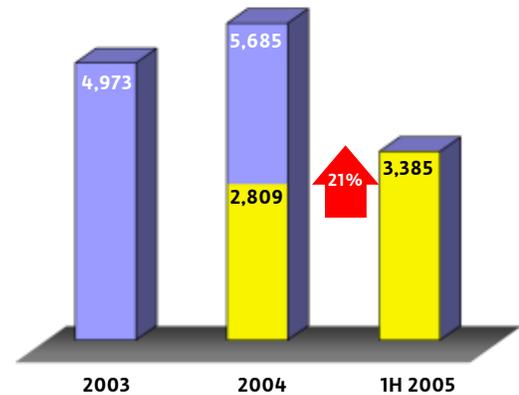
Contributions Per Business Segment



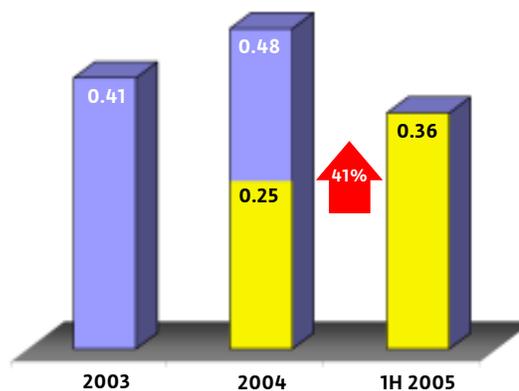
NET INCOME TO COMMON (in Million Pesos)



EBITDA (in Million Pesos)



EARNINGS PER SHARE (in Pesos)





Davao Light & Power Company (DLPC) contributed P384 million, a 27% increase from its January–June 2004 contribution. The company sold 631 gwhrs of electricity, up 5%; number of customers increased by 4% to 228,731 over the same period last year. Peak demand was 228 megawatts (MW), 7% higher than the peak demand in June 2004. Systems loss was at 8.59%, lower than what it was in the same period a year ago at 8.96%.

To address the increasing power demand in its franchise area, DLPC opened its 21st substation in April this year. The 33–megavolt–ampere (MVA) facility is expected to bring power loads at DLPC's Puan and Toril substations back to manageable levels.

DLPC signed a transition supply contract (TSC) with the National Power Corporation (NPC) in January this year to ensure its customers of adequate and reliable supply of power. DLPC increased its contracted demand from 130 MW to 205 MW.

Cotabato Light & Power Company (CLPC) contributed P41 million, a 62% increase from its January–June 2004 contribution. The company sold 57 gwhrs of electricity, up 3%; number of customers also increased by 3% to 26,434 over the same period last year. Peak demand was 20 MW, the same level as of June 2004. Systems loss was at 8.78% percent, lower than the 9.39% level a year ago.

SouthSeas, Cotabato City's first and only shopping mall, will be completely opened in September this year. In preparation for increased economic activity, CLPC has

energized a 2–MVA transformer, and upgraded its lines and poles to ensure reliability of its power source and assure customers of better quality service.

In January 2005, CLPC signed a TSC with NPC, increasing its contracted demand from 18 MW to 20 MW.

Visayan Electric Company (VECO) contributed P95 million, up 360% from the same period last year. The company sold 408 gwhrs of energy from January to June this year, 4% higher than its sales in the first half of 2004. Its number of customers increased by 1% to 265,143. Systems loss decreased to 10.22% from 10.72% a year ago. Cost reduction and productivity initiatives have also helped improve VECO's margins. Peak demand was 276 MW.

VECO also signed a TSC with NPC, increasing its contracted demand from 120 MW to 170 MW.

In February 2005, VECO opened a full service center at the SM Mall in Cebu. The concept of an electric utility in a mall is the first of its kind in the Philippines. The new VECO office provides convenience and comfort to its customers 10 hours a day, seven days a week. It also has a call center equipped with Voice Over Internet Protocol (VoIP) facilities that will improve customer service



through the telephone, making it more convenient for customers to interact with VECO.

Pampanga–based San Fernando Electric Light & Power Company (SFELAPCO) contributed P22 million, 23%



higher than the same period last year. The company sold 78 gwhrs of electricity, up 7% from the first six months of 2004. SFELAPCO served 63,446 customers, up 5% from June last year. Peak demand was 73 MW while systems loss was 6.7%.

In January this year, SFELAPCO extended its Electric Power Supply Agreement (EPSA) with Hydro Electric Development Corporation (Hedcor) originally signed in 2004 following the connection of the 43-MW Asin hydroelectric power plants to NPC. The EPSA assures SFELAPCO and its customers of an annual supply of 19 million kwh of clean energy from Hedcor.

The recent groundbreaking of the Clark-Subic access road should stimulate further development and enhance the prospects for growth in SFELAPCO's franchise area.

Subic EnerZone Corporation (SEZ) contributed P19 million to AEV's earnings in the first six months of 2005, an 89% increase over the same period last year. SEZ sold 54 gwhrs of electricity, up 1%. Its number of customers increased by 4% to 2,376. Peak demand was 30 MW. Systems loss was further reduced to 6.79% as of June 2005 from 12.15% a year ago.

In March this year, SEZ lowered its rate per kilowatt-hour (kwhr) by almost 10 centavos following an announcement that the company had reduced its systems loss. SEZ implemented a metering rehabilitation program by checking and correcting meter installations of all its customers. As a result, the company was able to reduce the systems loss of the Power Distribution System (PDS) to an average of 7.87%. When SEZ took over the

PDS of Subic Bay Metropolitan Authority (SBMA) on October 25, 2003, it inherited a systems loss average of 15% from SBMA's Utility Department. By law, the maximum electrical systems loss a utility is allowed to pass on to its customers is 9.5%.



In June 2005, SEZ signed a purchase agreement with the National Transmission Corporation (TransCo) to purchase TransCo's P101.6-million 100-MVA substation in Subic. Just two months earlier, SEZ also signed an agreement to buy 7.24 circuit-kilometers of TransCo's sub-transmission lines in the freeport zone for P29.4 million. The acquisition of these TransCo assets will be finalized pending approval by the Energy Regulatory Commission.

These sub-transmission assets assure SEZ of a larger revenue base and continued exclusive access to its customer base even when open access is allowed.

Generation companies

All of AEV's generation companies performed well, contributing P453 million in the first semester, 164% higher than in the first half of last year. Both the supplemental water project of Luzon Hydro and the newly-acquired Talomo mini-hydro facility started operations in the first half.

Luzon Hydro Corporation (LHC) turned in the highest contribution to AEV's bottomline in the first half with a net income contribution of P374 million, 178% higher than in the same period last year. LHC generated 52 gwhrs of electricity and its US\$3.5 million supplemental water project was completed on schedule in May 2005. The project is expected to increase output of the company's 70-MW Bakun AC plant by approximately 15 gwhrs, a 6.7% increase in its annual energy output.

Hydro Electric Development Corporation (Hedcor) and Northern Mini Hydro Corporation (NMHC) registered a lower combined net loss contribution of P16 million compared to the P41 million loss in the first six months of last year. Hedcor and NMHC plants generated a total of 39 gwhrs of electricity during the first half of this year, up by 11%.

In January 2005, Hedcor took over the 3.5-MW Talomo facility in Davao, the first generation asset to be privatized by the Power Sector Assets and Liabilities Management Corporation (PSALM) in keeping with its mandate under Republic Act No. 9136 or the Electric Power Industry Reform Act (EPIRA). The plant is already starting to generate power and selling its output to Davao Light.

In June this year, AEV consolidated all of its hydropower generating subsidiaries into a single operating corporation to streamline operations and optimize the use of its resources. Benguet Hydropower Corp. (BHC), Hedcor and NMHC are now under Hedcor, Inc., which owns 19 hydropower plants with a total installed capacity of 113 MW and supplies clean energy to customers in Benguet, Ilocos Sur, Pampanga and Davao.

Recently, AEV and Norwegian company SN Power Invest AS (SN Power) agreed to bid for and develop hydroelectric projects in the Philippines. SN Power was founded by two partners Statkraft and the Norwegian Investment Fund for Developing Countries (Norfund). Statkraft is Europe's second largest producer of hydroelectric power, with ownership in more than 90 power plants with a total capacity of 12,000 MW. Norfund is an investment fund established by the Norwegian government that invests in private enterprises in developing countries.

In the first half of this year, Western Mindanao Power Corporation (WMPC) contributed P61 million while Southern Philippines Power Corporation (SPPC) contributed P26 million, up 26% and 20%, respectively over the same period last year. Combined generation of both plants increased by 43% to 416 gwhrs.





UNIONBANK

www.unionbankph.com

BANKING GROUP

AEV's banking subsidiaries contributed P569 million in the first six months of 2005, up 49% from the same period last year. This represents 29% of total income contributions from AEV's business groups.

UnionBank of the Philippines continues to post strong growth as it ended the first half with an income contribution of P563 million, an increase of 50% over the first half of last year. This better-than-expected performance is due mainly to increased returns from its capital markets business, cash management services, consumer finance and asset recovery.

UnionBank profitability ratios remained one of the highest in the industry. Its return on average equity was 17.8% versus 14.3% in the same period last year and return on average assets was 2.9% from 2.8%. Total deposits increased by 27% to P59 billion from P47 billion. The bank's credit risk-adjusted capital adequacy ratio as of June 2005 was at 38%, the

highest in the industry and more than three times the minimum requirement of 10% set by the Bangko Sentral ng Pilipinas.

UnionBank's ratio of non-performing loans (NPL) to total loans was at 6.43% as of June 2005; NPL cover was at 63.8%. The bank ended the first half with an equity base of P18 billion and resources of 106 billion.

City Savings Bank (CSB) contributed P7 million to AEV's bottom line in the first half of 2005, 9% lower than its contribution in the same period last year. CSB's total deposits increased by 31% to P938 million while total loans reached P734 million, a 28% increase over last year's first half figures. The bank's return on equity was 16.14% while return on assets was 3.34%.

CSB's ratio of NPL to total loans was at 5% as of June 2005; its NPL cover was 59%.

TRANSPORT

AEV's transport subsidiaries contributed a combined total of P153 million to the company's first half income, a 54% decrease versus the same period last year. This amount represents 8% of total income contributions from AEV's business groups. In the first half of this year, both passage and freight volume decreased by 5% and 6%, respectively.

Aboitiz Transport System Corporation (ATS) increased its passage rates by 2% and rate per TEU by 3%. These adjustments, however, were not sufficient to cover the increased operating costs, especially for fuel. ATS is taking positive measures to mitigate these by improving efficiency. It will continue to increase its rates to cover increases in operating costs.

SuperCat Fast Ferry Corporation (SFFC) contributed P1 million, 53% higher than its contribution in the first half of last year. SFFC embarked on a major rationalization



early this year, reducing its number of operating vessels to 3 from 7 a year ago. Supercat vessels carried 1,097,592 passengers in the first six months of this year, 19% lower than in the first half of 2004.



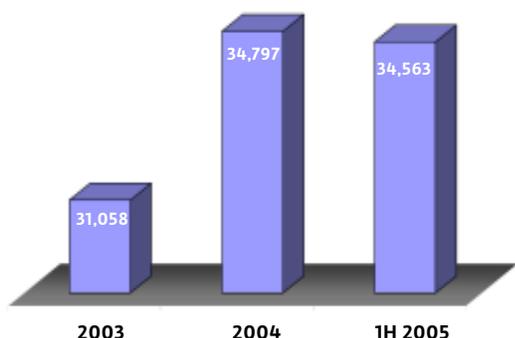
To address its already high utilization rates, PFC is expanding its milling capacity by 150 metric tons (MT) per day, bringing its total daily milling capacity to 1,310 MT. The expansion will utilize state-of-the-art milling machinery, further enhancing operating efficiencies at the company's Iligan facility. Completion is expected by the fourth quarter of 2005. Fil-Am Foods is likewise looking to increase its swine production capacity by the end of the year. PMFC continues to see improved volume growth for its compressed yeast product.

FOOD

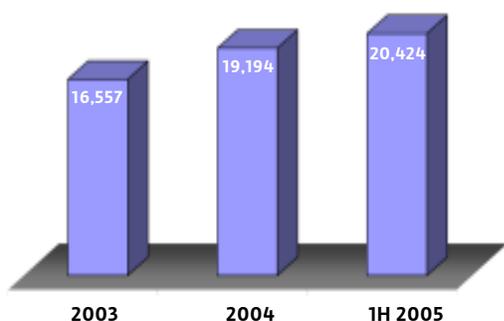
The contribution from AEV's food manufacturing company Pilmico Foods Corporation (PFC) in the first six months of 2005 remained relatively flat at P211 million due lower sales volume and higher operating costs. PFC subsidiary Fil-Am Foods, Inc. turned in a net income of P111 million in the first half, an improvement of 15% credited to stronger sales from both its feed and swine businesses. The company's margins also improved as a result of lower raw materials cost and efficiency improvements. Pilmico-Mauri Foods Corporation (PMFC) contributed P3 million.



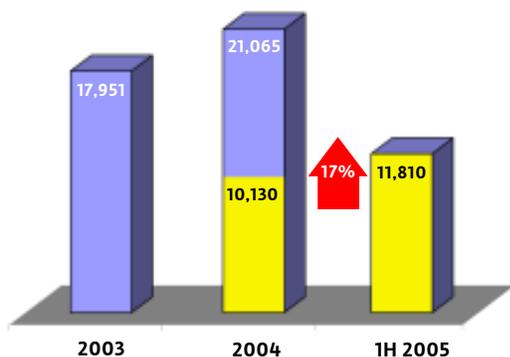
TOTAL ASSETS (in Million Pesos)



STOCKHOLDERS' EQUITY (in Million Pesos)



TOTAL REVENUES (in Million Pesos)



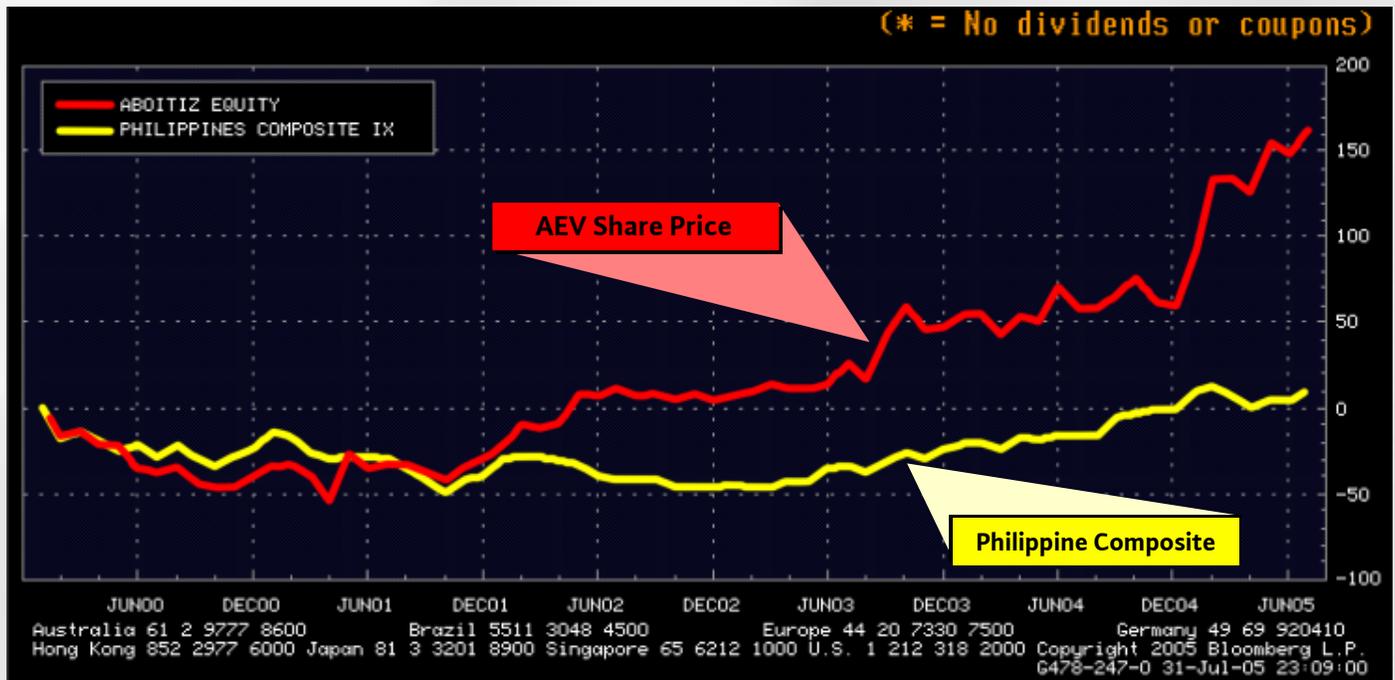
BALANCE SHEET

AEV continues to maintain a strong balance sheet. Its consolidated cash position at the end of the January–June 2005 period amounted to P2.8 billion. Compared to December 2004 levels, AEV's assets remained steady at P35 billion while equity grew by 6% to P20 billion. As of June 2005, AEV's book value per share increased by 11% to P3.86 per share. Debt-to-equity ratio decreased to 0.67:1 from 0.79:1 at the end of December 2004. AEV's net debt-to-equity ratio stood at 0.38:1. AEV's current ratio decreased from 1.34:1 in December 2004 to 1.27:1 as of end June 2005.

In February this year, the Board approved a regular cash dividend of 12 centavos per share, which was paid out on March 21, 2005. This is 20% higher than 2003's dividend and equivalent to 26% of AEV's 2004 earnings.

At AEV's stockholders' meeting in May, the Board elected Roberto E. Aboitiz as new board chairman. Also elected as new independent director was Jose C. Vitug. A former associate justice of the Supreme Court, Justice Vitug is also currently professor at the San Beda College Graduate School of Law and the Philippine Judicial Academy of the Supreme Court of the Philippines. Others elected to the AEV board were Jon Ramon Aboitiz, Erramon I. Aboitiz, Enrique M. Aboitiz, Jr., Justo A. Ortiz, and independent director Roberto R. Romulo.

In February this year, the Board approved in principle, the sale of all the treasury shares held by AEV and some of its subsidiaries amounting to approximately 890 million common shares. This figure represents 15.6% of the company's outstanding common stock. This is being done to raise additional capital for future investments in the power sector.



During the period January 2000 to July 2005, AEV's share price has outperformed the Philippine Composite Index by approximately 153%. The graph above shows that AEV's price per share has grown more against the Phisix, with an average annual return of 19.2% versus the index's 1.70%.

New Brand Essence and Logo

As you may all know by now, the Aboitiz Group launched in April 2005 a new brand essence, *Passion for Better Ways*, as well as a new corporate logo.

This new brand positioning will be AEV's revitalized outlook for the future, a refreshed mindset that will galvanize all its teams towards constantly raising the bar and challenging conventional approaches with innovative solutions to further strengthen its competitive edge.

Passion for Better Ways is AEV's brand promise to its customers, with a strong commitment to give the highest standards of service, always in pursuit of excellence.

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Equity Ventures

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

AT JUNE 30, 2005 AND DECEMBER 31, 2004

(Amounts in Thousands)

	UNAUDITED JUN 2005	AUDITED DEC 2004	% Inc/ -dec
ASSETS			
Noncurrent Assets			
Property, plant, and equipment - net	11,788,803	11,903,366	-1%
Investments in shares of stock at equity	13,608,860	12,642,145	8%
Investments in shares of stock at cost	63,365	50,986	24%
Noncurrent advances to associates - net	256,778	264,398	-3%
Other noncurrent assets - net	951,837	782,185	22%
Total Noncurrent Assets	26,669,643	25,643,080	4%
Current Assets			
Cash and cash equivalents	2,771,466	4,384,459	-37%
Marketable equity securities - net	51,395	36,533	41%
Trade and other receivables - net	2,952,910	2,889,647	2%
Inventories - net	1,739,553	1,439,175	21%
Other current assets	378,517	403,937	-6%
Total Current Assets	7,893,841	9,153,751	-14%
TOTAL ASSETS	34,563,484	34,796,831	-1%
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans	1,854,844	1,629,663	14%
Accounts payable and accrued expenses	3,219,009	3,303,270	-3%
Dividends payable	13,967	14,228	-2%
Income tax payable	86,953	199,707	-56%
Current portion of long-term debt	924,502	1,573,482	-41%
Current portion of obligations under finance lease	140,411	134,273	5%
Total Current Liabilities	6,239,686	6,854,623	-9%
Noncurrent Liabilities			
Long-term debt - net of current portion	6,252,724	7,102,238	-12%
Obligations under finance lease - net of current portion	297,736	372,566	-20%
Customers' deposits	962,127	911,751	6%
Deferred income tax	9,658	9,657	0%
Total Noncurrent Liabilities	7,522,245	8,396,212	-10%
Total Liabilities	13,761,931	15,250,835	-10%
Equity			
Capital stock	5,881,300	5,881,300	0%
Additional paid-in capital	2,880,940	2,880,940	0%
Treasury stock at cost	(1,758,961)	(1,710,084)	3%
Share in net unrealized loss on available-for-sale securities & underwriting accounts of associates	(383,472)	(383,473)	0%
Retained earnings	13,804,061	12,524,858	10%
Equity Attributable to Equity Holders of the Parent	20,423,868	19,193,541	6%
Minority Interest	377,685	352,455	7%
Total Equity	20,801,553	19,545,996	6%
TOTAL LIABILITIES AND EQUITY	34,563,484	34,796,831	-1%

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE PERIODS ENDED JUNE 30, 2005 AND 2004

(Amounts in Thousands)

(UNAUDITED)

	JAN-JUN/05	JAN-JUN/04
NET REVENUE	11,810,118	10,130,156
COST AND EXPENSES	10,660,064	8,870,635
INCOME FROM OPERATIONS	1,150,054	1,259,521
OTHER INCOME (CHARGES)		
Share in net earnings of associates	1,221,278	674,220
Interest income	118,962	101,738
Interest expense	(538,978)	(519,214)
Others	167,319	106,195
	968,581	362,939
INCOME BEFORE INCOME TAX	2,118,635	1,622,46
INCOME TAX	268,500	320,578
INCOME FOR THE PERIOD	1,850,135	1,301,882
ATTRIBUTABLE TO:		
EQUITY HOLDERS OF THE PARENT	1,824,881	1,267,189
MINORITY INTEREST	25,254	34,693
	1,850,135	1,301,882
Earnings Per Common Share **	0.358	0.254

Note: This report is for information purposes only and should not be relied upon by its intended recipients for investment decisions. It is not an offer to sell or a solicitation of an offer to buy the security of the company covered by this report. AEV makes no warranties, implied or otherwise, as to the accuracy of the information contained herein. Any financial figures presented are unaudited unless stated otherwise. Under no circumstances should this information or any of it be copied, reproduced or redistributed without written permission.

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