

Report to our Stockholders

from your Chairman

“We look at the future with optimism knowing we have an organization charged with passion and the ambition to continue finding better ways of doing things and building on the strong foundation we have today.”



Dear shareholders and friends,

We are pleased to inform you that your company continues to perform well despite the uncertainties of the times. We are harvesting the fruits of the initiatives planted over the last decade.

In 2004, your company marked its 10th year as a public company. Over this period, we have remained faithful to our objective of creating long-term value for all our stakeholders. More than ever before, we remain committed to our business model of focusing on our people, our customers and our systems. We reconfirm our belief that the surest way to sustained and profitable growth is to stick to what we do best and rely on our proven competencies to fuel our growth.

We, in the Aboitiz Group, recently unveiled our new logo and brand essence. The logo stands for an attitude, a mindset. It stands for never being content with the status quo and always finding ways to improve our products and services. This is best articulated in our new brand essence – Passion for Better Ways. It describes our way of life and what drives us to constantly find better ways to lead in industries where we are involved, to excel in everything that we do, and to serve our customers and communities.

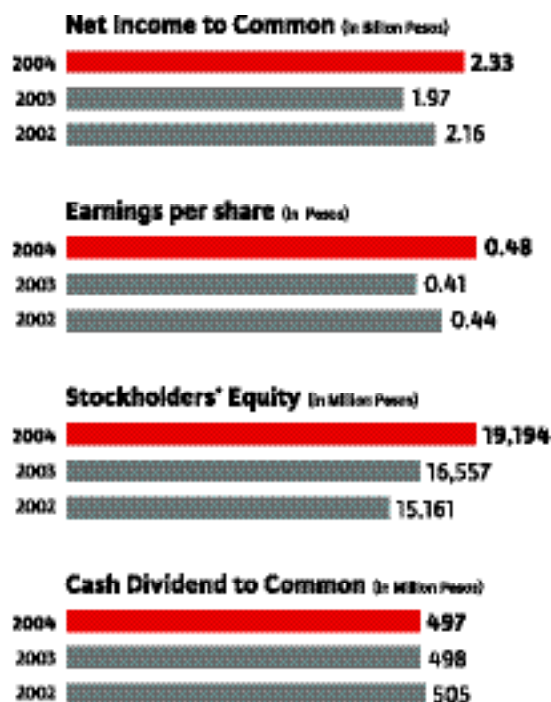
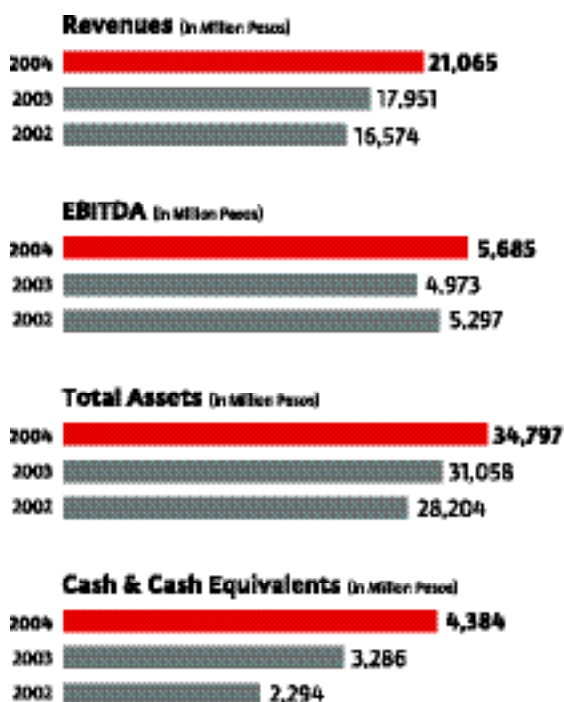
We look to our past with pride and honor for what has been built through four generations. We look to our future with optimism knowing we have an organization charged with passion and the ambition to continue finding better ways of doing things and building on the strong foundation we have today.

We have a lot to be grateful for. We are very appreciative of the trust demonstrated by our business partners. We thank you, our shareholders, for your continued support and confidence over the years. And of course to the men and women who make up AEV, we will remain always indebted to you for your contributions to the company and for making AEV what it is today.

LUIS A. ABOITIZ, JR.
CHAIRMAN OF THE BOARD

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Financial Highlights



Financial Summary (In Million Pesos)

For the Year

	2002 (Restated)	2003 (Restated)	2004	% change '04 vs. '03
REVENUES	16,574	17,951	21,065	17%
OPERATING PROFIT				
Operating profit from ordinary activities	1,735	1,513	1,599	6%
Equity in net earnings of associates	1,872	1,563	1,552	-1%
Other Income (Charges)	(605)	(614)	(206)	-66%
Income before income tax	3,002	2,461	2,945	20%
Provision for income tax	(466)	(404)	(483)	
Income before minority interest	2,536	2,058	2,462	20%
Minority interest	(309)	(16)	(40)	
Net Income for the year	2,227	2,042	2,422	19%
Dividend to Preferred	(72)	(68)	(91)	
Net Income to Common	2,155	1,973	2,331	18%
At Year End (in million pesos)				
Total Assets	28,204	31,058	34,797	12%
Total Liabilities	12,499	14,187	15,251	7%
	15,705	16,870	19,546	
Minority Interests	(544)	(313)	(352)	13%
Stockholders' Equity	15,161	16,557	19,194	16%
PER SHARE (in Pesos)				
Earnings	0.44	0.41	0.48	18%
Book Value	2.93	3.23	3.59	11%
Cash Dividends (Common)	0.10	0.10	0.10	0%
Financial Ratios				
Current Ratio	1.15	1.30	1.34	3%
Debt-to-Equity Ratio*	0.82	0.86	0.79	-7%
Net Debt-to-Equity Ratio**	0.54	0.50	0.38	-24%

* Total Debt / Total stockholders' equity as of year end

** Net Debt (interest-bearing liabilities net of available cash) / Total stockholders' equity as of year end