ABOITIZ POWER CORPORATION

Interim Unaudited Financial Statements
with Management Discussion and Analysis
for the First Quarter of 2015

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith.

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

The following discussion and analysis of Aboitiz Power Corporation's (AboitizPower or the Company) consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying schedules and disclosures set forth elsewhere in this report.

Key Performance Indicators

Management uses the following indicators to evaluate the performance of the Company and its subsidiaries (the Company and its subsidiaries are hereinafter collectively referred to as the "Group"):

1. **Share in Net Earnings of Associates.** Share in net earnings (losses) of associates represents the Group's share in the undistributed earnings or losses of its investees for each reporting period subsequent to acquisition of said investment. Share in Net Earnings of Associates indicates profitability of the investment and investees' contribution to the Group's net income.

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

2. **Earnings before Interest, Taxes, Depreciation and 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.

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.

The table below shows the comparative figures of the top five key performance indicators for the first three months of 2015 and 2014, and relevant ratios as of December 31, 2014:

	MAR 2015	**MAR 2014**	**DEC 2014**
SHARE IN NET EARNINGS OF ASSOCIATES	**727,188**	793,313	
EBITDA	**8,189,487**	8,168,777	
CASH FLOW GENERATED:			
Net cash flows from operating activities	**11,609,776**	6,762,529	
Net cash flows used in investing activities	**(2,846,030)**	(3,975,214)	
Net cash flows from (used in) financing activities	**(1,601,384)**	414,897	
Net increase in cash & cash equivalents	**7,162,362**	3,202,212	
Cash & cash equivalents, beginning	**40,231,875**	31,383,499	
Cash & cash equivalents, end	**47,391,488**	34,601,203	
CURRENT RATIO	**1.90**		3.36
DEBT-TO-EQUITY RATIO	**1.56**		1.26

Share in net earnings of associates decreased slightly by 8% or by ₱66 mn. The decrease is mainly as a result of lower income contributions from SN Aboitiz Power Benguet, Inc. (SNAP-Benguet). Ancillary revenues from SNAP-Benguet's Binga Plant decreased as it implemented a new contract for ancillary services which resulted in lower average prices.

Consolidated EBITDA continues to be strong leading to significant cash flows from operating activities.

Cash was used to fund ongoing projects and working capital requirements of subsidiaries mainly from the cash generated from the Group's operations.

Current ratio went from 3.36x at the end of 2014 to 1.90x at the end of the first quarter of 2015 as Trade and other payables increased total current liabilities. This is due to the recognition of dividends payable after the Board of Directors approved the declaration of cash dividends in March 2015.

Debt to equity ratio as of March 31, 2015 was at 1.56, higher than 1.26 as of December 31, 2014. This is mainly due to the increase in the Group's total liabilities.

Results of Operations

The Company recorded consolidated net income of ₱4.35 bn, a 4% increase versus the same period last year. The Company's core net income for the period amounted to ₱4.34 bn after adjusting for the effects of non-recurring gains of ₱11 mn from the revaluation of dollar loans and placements.

Power Generation

For the first quarter of 2015, the power generation business recorded an income contribution of ₱3.57 bn, largely unchanged compared to the same period last year. When adjusted for non-recurring items, the group registered a 6% year-on-year (YOY) decrease in its core net income, from ₱3.79 bn to ₱3.56 bn. The lower earnings were mainly attributable to the lower sales for the Tiwi-

Makban plants under AP Renewables, Inc. (APRI) due to decline in steam flow as well as the implementation of a new ancillary contract for SNAP- Benguet's Binga plant which resulted to a decrease in average prices.

Average selling prices of the generation group declined by 22% YOY due to a 27% decrease in bilateral contract selling prices as fuel costs continued to decline, as well as the decrease in ancillary service prices for SNAP-Benguet as previously explained.

The generation group's net generation grew by 5% from 2,688 GWh to 2,828 GWh for the period in review. This was driven by the 12% YOY growth in power sales through bilateral contracts to 2,448 GWh. Spot sales decreased by 24% YOY from 501 GWh to 380 GWh.

On a capacity basis, attributable sales increased from 1,798 MW to 1,804 MW as the decline in Tiwi-Makban's output was made up by higher capacity sales from Therma Mobile, Inc. (TMO).

Power Distribution

For the period in review, the power distribution group registered a 31% YoY increase in earnings, from ₱618 mn to ₱812 mn. Attributable electricity sales for the quarter increased by 11%, from 1,000 GWh a year ago, to 1,111 GWh. This sales growth is driven by higher electricity sales across all customer segments. Residential sales went up by 7%, Commercial sales up by 5% and sales to Industrial customers grew 14%.

Year to date gross margins were slightly lower from ₱1.53 per kwh a year ago to ₱1.51 per kWh this quarter.

Material Changes in Line Items of Registrant's Statements of Income and Comprehensive Income

Consolidated Statements of Income

The various movements in the revenue and expense line items leading to the Consolidated Net Income Attributable to Equity Holders of the Parent of ₱4.35 bn are shown below:

Consolidated Net Income Attributable to Equity Holders of the Parent (January – March 2014)	**₱4,178,044**
Increase in operating revenues	1,958
Decrease in operating expenses	332,780
Increase in interest income	109,699
Increase in interest expense	-43,909
Decrease in share in net earnings of associates	-66,125
Increase in other income	76,644
Higher provision for taxes	-220,468
Increase in income attributable to non-controlling interests	-22,046
Total	168,533
Consolidated Net Income Attributable to Equity Holders of the Parent (January – March 2015)	**₱4,346,577**

Operating Revenues

Consolidated operating revenues for the period in review remained unchanged as the effects of lower selling prices were mitigated by higher sales volumes augmented by fresh revenues from Lima Enerzone Corporation (LEZ) which was acquired by the Company in June 2014.

Operating Expenses
(2% decrease from ₱14.84 bn to ₱14.51 bn)

Consolidated operating expenses slightly decreased by ₱333 mn as direct costs relating to fuel continued to decline for the Company's thermal plants. The decline was partially offset by the new costs of purchased power of recently acquired LEZ.

Interest Income
(101% increase from ₱109 mn to ₱218 mn)

Increase is mainly due to higher average cash and cash equivalent balances for the first quarter 2015 as compared to the same period last year.

Interest Expense and other financing costs
(3% increase from ₱1.69 bn to ₱1.73 bn)

The increase is mainly due to higher long-term debt balances as a result of further drawdowns on project debt and a bond offering of the Parent Company in the latter part of 2014.

Share in Net Earnings of Associates
(8% decrease from ₱793 mn to ₱727 mn)

The decline in the Share in Net Earnings of Associates is due to the lower contributions from SNAP-Benguet due to lower revenues as a result of lower selling prices during the year. This was partly mitigated by improved contributions from STEAG State Power, Inc. and SN Aboitiz Power-Magat, Inc. (SNAP-Magat).

Other Income (Expenses) - net
(37% increase from ₱206 mn to ₱283 mn)

The increase is mainly due to net unrealized foreign exchange loss in 2014 which swung to a unrealized forex gain in 2015. This comes from the restatement of Therma Luzon, Inc.'s (TLI) dollar denominated debt on its monthly obligations to the Power Sector Assets and Liabilities Management Corporation (PSALM) (accounted as a finance lease obligation).

Provision for Taxes
(26% increase from ₱837 mn to ₱1.06 bn)

The increase is mainly due to the expiry of Therma Marine, Inc.'s (TMI) income tax holiday in the second quarter of 2014.

Net Income Attributable to Noncontrolling Interests
(9% increase from ₱257 mn to ₱279 mn)

Higher net income contributed by Visayan Electric Company, Inc. (VECO) for the reporting period led to higher Net Income attributable to Non-controlling interest.

Consolidated Statements of Comprehensive Income

Consolidated comprehensive income attributable to equity holders of the parent increased from ₱4.26 bn in the first three months of 2014 to ₱4.32 bn for the same period in 2015. The increase is mainly due to the increase in consolidated net income recognized during the period.

Changes in Registrant's Resources, Liabilities and Shareholders' Equity

Assets

Total assets (as of March 31, 2015 vs. December 31, 2014) increased by ₱7.99 bn or 4% due to the following:

a) Cash and cash equivalents grew by 18% (from ₱40.23 bn in 2014 to ₱47.39 bn as of March 2015). The increase is mainly attributable to an increase in internally generated cash from operations.

b) Trade and other receivables decreased by 17% (from ₱12.33 bn in 2014 to ₱10.17 bn as of March 2015) following the subsequent collection of dividends receivable by Aboitiz Renewables, Inc. (ARI) in the first quarter of the year as well as collections made by the various subsidiaries during the first quarter.

c) Inventories decreased by 15% (from ₱2.17 bn in 2014 to ₱1.84 bn as of March 2015). The decrease is due to lower cost of fuel inventories at the Company's thermal plants.

d) Other current assets increased by 32% (from to ₱1.94 bn in 2014 to ₱2.56 bn as of March 2015). The increase is mainly due to higher prepaid insurance at a subsidiary and the accumulation of input vat during construction.

e) Property, plant and equipment increased by 1% or ₱1.68 bn as the Company continues to invest into the construction of its Davao, Pagbilao 3 and Cebu coal-fired plants, and small hydroelectric plants.

f) Derivative assets (current and noncurrent portions) declined by ₱23 mn mainly due to unrealized mark-to-market losses recognized on outstanding hedging instruments during the current period.

g) Deferred income tax assets (DTA) decreased by 12% (from ₱244 mn in 2014 to ₱215 mn as of March 2015) to account for the unrealized forex gain at a subsidiary.

Liabilities

Consolidated liabilities increased by 13% from ₱120.68 bn as of December 31, 2014 to ₱136.79 bn as of March 31, 2015.

a) The increase in bank loans outstanding by ₱317 mn as of March 31, 2015 represent new loans availed by certain subsidiaries to meet their respective working capital requirements.

b) Trade and other payables increased by 114% (from ₱12.78 bn to ₱27.35 bn as of March 2015) mainly due to the recognition of dividends payable after the Company's Board of Directors approved the declaration of cash dividends in March 2015.

c) Income tax payable increased by 149% (from ₱604 mn in 2014 to ₱1.50 bn as of March 2015) primarily due to higher tax payables of TLI and Davao Light & Power Company, Inc.

d) Pension liability decreased by 7% (₱406 mn in 2014 to ₱379 mn as of March 2015) on account of retirement contributions made by certain subsidiaries during the year.

Equity

Equity attributable to equity shareholders of the parent decreased by 8% (from ₱91.96 bn in 2014 to ₱84.06 bn as of March 2015) after the declaration of dividends in March 2015 and net of the take up of the income during the period.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash generated from the Group's operations continue to be the main cash generating activity as it brought in ₱11.61 bn year to date. The cash generated from operations increased by 72% versus last year mainly as lower payments were made for operating liabilities.

The Group's net cash used in investing activities during the period amounted to ₱2.85 bn primarily to fund the ₱2.65 bn used for capital expenditures.

Cash flows used for financing activities mainly went to the payments made by TLI to PSALM on its finance lease obligations which totaled ₱2.00 bn for the period which was slightly offset by inflows from the Company's borrowing activities.

As of March 31, 2014, the Group's cash and cash equivalents increased from ₱40.23 bn to ₱47.39 bn.

Financial Ratios

The increase in current liabilities as a result of the recognition of dividends payable drove the change in current ratio from 3.36x to 1.90x as of the end of the first quarter 2015.

Consolidated debt to equity ratio remains to be comfortable at 1.56x as of March 31, 2015 (versus year end 2014's 1.26x). The increase is mainly due to an increase in consolidated debt.

Aboitiz Power Corporation and Subsidiaries

Unaudited Consolidated Financial Statements
As of March 31, 2015 (with Comparative Figures as of December 31, 2014) and
For the Three-Month Period Ended March 31, 2015 and 2014

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱47,391,488**	₱40,231,875
Trade and other receivables	**10,174,980**	12,332,513
Derivative assets	**48,935**	53,500
Inventories	**1,841,584**	2,168,832
Other current assets	**2,559,122**	1,939,369
Total Current Assets	**62,016,109**	56,726,089
Noncurrent Assets		
Investments in and advances to associates	**25,507,501**	24,816,278
Property, plant and equipment	**121,331,405**	119,646,640
Intangible asset - service concession rights	**3,383,160**	3,400,354
Derivative asset - noncurrent portion	**40,197**	59,044
Investment property	**28,300**	28,300
Available-for-sale (AFS) investments - net of impairment of ₱5,254	**3,620**	3,620
Goodwill	**1,094,687**	1,094,687
Net pension assets	**79,000**	79,000
Deferred income tax assets	**215,043**	243,756
Other noncurrent assets	**11,053,457**	10,663,253
Total Noncurrent Assets	**162,736,370**	160,034,932
TOTAL ASSETS	**₱224,752,479**	₱216,761,021

LIABILITIES AND EQUITY		
Current Liabilities		
Current portions of:		
Long-term debts	**₱1,386,870**	₱1,388,991
Finance lease obligation	**1,971,739**	1,971,739
Long-term obligation on power distribution system	**40,000**	40,000
Bank loans	**420,000**	103,000
Trade and other payables	**27,349,873**	12,778,001
Derivative liabilities	**10,277**	-
Income tax payable	**1,504,643**	604,158
Total Current Liabilities	**32,683,402**	16,885,889

(Forward)

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts	**₱42,129,437**	₱41,394,084
Finance lease obligation	**51,963,342**	52,489,282
Long-term obligation on power distribution system	**223,807**	216,015
Customers' deposits	**5,766,127**	5,686,490
Asset retirement obligation	**2,378,881**	2,353,250
Net pension liabilities	**378,790**	405,854
Deferred income tax liabilities	**1,266,877**	1,249,717
Total Noncurrent Liabilities	**104,107,261**	103,794,692
Total Liabilities	**136,790,663**	120,680,581
Equity Attributable to Equity Holders of the Parent		
Capital stock	**7,358,604**	7,358,604
Additional paid-in capital	**12,588,894**	12,588,894
Share in net unrealized valuation gains on AFS investments of an associate	**119,087**	119,087
Cumulative translation adjustments	**8,621**	38,091
Share in cumulative translation adjustments of associates	**(375,489)**	(375,489)
Actuarial losses on defined benefit plans	**(519,854)**	(519,854)
Share in actuarial losses on defined benefit plans of associates	**(48,589)**	(48,589)
Acquisition of non-controlling interests	**(259,147)**	(259,147)
Excess of cost over net assets of investments	**(421,260)**	(421,260)
Retained earnings		
Appropriated	**20,900,000**	20,900,000
Unappropriated	**44,713,049**	52,581,755
	84,063,916	91,962,092
Non-controlling Interests	**3,897,900**	4,118,348
Total Equity	**87,961,816**	96,080,440
TOTAL LIABILITIES AND EQUITY	**₱224,752,479**	₱216,761,021

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

(Unaudited)

	For the three months ended March 31	
	2015	2014
OPERATING REVENUES	**₱20,701,643**	₱20,699,685
OPERATING EXPENSES	**14,512,177**	14,844,957
FINANCIAL INCOME (EXPENSES)		
Interest income	**218,262**	108,563
Interest expense and other financing costs	**(1,734,877)**	(1,690,968)
	(1,516,615)	(1,582,405)
OTHER INCOME (EXPENSES)		
Share in net earnings of associates	**727,188**	793,313
Others - net	**283,130**	206,486
	1,010,318	999,799
INCOME BEFORE INCOME TAX	**5,683,169**	5,272,122
PROVISION FOR INCOME TAX	**1,057,824**	837,356
NET INCOME	**₱4,625,345**	₱4,434,766
Attributable to:		
Equity holders of the parent	**₱4,346,577**	₱4,178,044
Non-controlling interests	**278,768**	256,722
	₱4,625,345	₱4,434,766
EARNINGS PER COMMON SHARE		
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	**₱0.59**	₱0.57

See Disclosure I for the computation of Earnings per Common Share.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

(Unaudited)

	For the three months ended March 31	
	2015	2014
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	**₱4,346,577**	₱4,178,044
Non-controlling interests	**278,768**	256,722
	4,625,345	4,434,766
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Movement in cumulative translation adjustments	**(29,470)**	1,964
Share in movement in cumulative translation adjustment of associates	**–**	75,242
Total other comprehensive income, net of tax	**(29,470)**	77,206
TOTAL COMPREHENSIVE INCOME	**₱4,595,875**	₱4,511,972
Attributable to:		
Equity holders of the parent	**₱4,317,107**	₱4,255,250
Non-controlling interests	**278,768**	256,722
	₱4,595,875	₱4,511,972

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED MARCH 31, 2015, DECEMBER 31, 2014 AND MARCH 31, 2014

(Amounts in Thousands, Except Dividends Per Share Amounts)

(Unaudited)

	Attributable to Equity Holders of the Parent												
	Capital Stock	Additional Paid-in Capital	Share in Net Unrealized Valuation Gains on AFS Investments of an Associate	Movement in Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Actuarial Losses on Defined Benefit Plans	Share in Actuarial Losses on Defined Benefit Plans of Associates	Acquisition of Non-controlling Interests	Excess of Acquisition Cost Over Book Value of Acquired Subsidiary	Unappropriated Retained Earnings	Appropriated Retained Earnings	Non-controlling Interests	Total
Balances at January 1, 2015	**₱7,358,604**	**₱12,588,894**	**₱119,087**	**₱38,091**	**(₱375,489)**	**(₱519,854)**	**(₱48,589)**	**(₱259,147)**	**(₱421,260)**	**₱52,581,755**	**₱20,900,000**	**₱4,118,348**	**₱96,080,440**
Net income for the period	–	–	–	–	–	–	–	–	–	**4,346,577**	–	**278,768**	**4,625,345**
Other comprehensive income	–	–	–	**(29,470)**	–	–	–	–	–	–	–	–	**(29,470)**
Total comprehensive income for the period	–	–	–	**(29,470)**	–	–	–	–	–	**4,346,577**	–	**278,768**	**4,595,875**
Cash dividends - ₱1.66 a share	–	–	–	–	–	–	–	–	–	**(12,215,283)**	–	–	**(12,215,283)**
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	**(499,213)**	**(499,213)**
Change in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	**(3)**	**(3)**
Balances at March 31, 2015	**₱7,358,604**	**₱12,588,894**	**₱119,087**	**₱8,621**	**(₱375,489)**	**(₱519,854)**	**(₱48,589)**	**(₱259,147)**	**(₱421,260)**	**₱44,713,049**	**₱20,900,000**	**₱3,897,900**	**₱87,961,816**
Balances at January 1, 2014	₱7,358,604	₱12,588,894	₱88,187	(₱24,511)	(₱388,557)	(₱694,746)	(₱31,815)	(₱259,147)	₱–	₱68,991,854	₱–	₱3,621,994	₱91,250,757
Net income for the period	–	–	–	–	–	–	–	–	–	4,178,044	–	256,722	4,434,766
Other comprehensive income	–	–	–	1,964	75,242	–	–	–	–	–	–	–	77,206
Total comprehensive income for the period	–	–	–	1,964	75,242	–	–	–	–	4,178,044	–	256,722	4,511,972
Change in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(21)	(21)
Balances at March 31, 2014	₱7,358,604	₱12,588,894	₱88,187	(₱22,547)	(₱313,315)	(₱694,746)	(₱31,815)	(₱259,147)	₱–	₱73,169,898	₱–	₱3,548,028	₱95,432,041

(Forward)

	Attributable to Equity Holders of the Parent												
	Capital Stock	Additional Paid-in Capital	Share in Net Unrealized Valuation Gains on AFS Investments of an Associate	Movement in Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Actuarial Losses on Defined Benefit Plans	Share in Actuarial Losses on Defined Benefit Plans of Associates	Acquisition of Non-controlling Interests	Excess of Acquisition Cost Over Book Value of Acquired Subsidiary	Unappropriated Retained Earnings	Appropriated Retained Earnings	Non-controlling Interests	Total
Balances at January 1, 2014	₱7,358,604	₱12,588,894	₱88,187	(₱24,511)	(₱388,557)	(₱694,746)	(₱31,815)	(₱259,147)	₱–	₱68,991,854	₱–	₱3,621,994	₱91,250,757
Net income for the year	–	–	–	–	–	–	–	–	–	16,705,184	–	1,300,717	18,005,901
Other comprehensive income(loss)	–	–	30,900	62,602	13,068	174,892	(16,774)	–	–	–	–	(4,648)	260,040
Total comprehensive income (loss)for the year	–	–	30,900	62,602	13,068	174,892	(16,774)	–	–	16,705,184	–	1,296,069	18,265,941
Acquisition of subsidiary	–	–	–	–	–	–	–	–	(421,260)	–	–	–	(421,260)
Cash dividends - ₱1.66 a share	–	–	–	–	–	–	–	–	–	(12,215,283)	–	–	(12,215,283)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(1,141,673)	(1,141,673)
Appropriation during the year	–	–	–	–	–	–	–	–	–	(20,900,000)	20,900,000	–	–
Change in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	341,958	341,958
Balances at December 31, 2014	₱7,358,604	₱12,588,894	₱119,087	₱38,091	(₱375,489)	(₱519,854)	(₱48,589)	(₱259,147)	(₱421,260)	₱52,581,755	₱20,900,000	₱4,118,348	₱96,080,440

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

(Unaudited)

	For the three months ended March 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱5,683,169**	₱5,272,122
Adjustments for:		
Interest expense and other financing costs	**1,734,877**	1,690,968
Depreciation and amortization	**1,005,154**	1,058,421
Net unrealized foreign exchange losses (gains)	**(12,123)**	248,498
Amortization of software	**2,443**	5,151
Write-off of project costs and others	**228**	–
Unrealized fair valuation loss (gain) on derivatives	–	257
Gain on sale of property, plant and equipment	**181**	234
Interest income	**(218,262)**	(108,563)
Share in net earnings of associates	**(727,188)**	(793,313)
Operating income before working capital changes	**7,468,479**	7,373,775
Increase in operating assets	**1,911,962**	505,035
Increase in operating liabilities	**2,376,880**	(1,197,213)
Cash provided by operations	**11,757,321**	6,681,597
Income and final taxes paid	**(147,545)**	80,932
Net cash flows from operating activities	**11,609,776**	6,762,529
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	**35,965**	941,874
Interest received	**148,324**	112,173
Additions to property, plant and equipment	**(2,645,341)**	(4,237,651)
Additions to intangible assets – service concession rights	**(6,795)**	(5,730)
Increase in other noncurrent assets	**(378,183)**	(785,880)
Net cash flows used in investing activities	**(2,846,030)**	(3,975,214)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (payment) of bank loans	**317,000**	–
Net proceeds (payment) of long-term debt	**723,000**	2,679,482
Payments of finance lease obligation	**(1,996,232)**	(1,728,343)
Changes in non-controlling interests	**(499,213)**	(330,667)
Interest paid	**(145,939)**	(205,575)
Net cash flows from (used in) financing activities	**(1,601,384)**	414,897
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**7,162,362**	3,202,212
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(2,749)**	15,492
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**40,231,875**	31,383,499
CASH AND CASH EQUIVALENTS ATEND OF THE PERIOD	**₱47,391,488**	₱34,601,203

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS SCHEDULES AND DISCLOSURES

(Amounts in Thousands, Except Earnings per Share and Exchange Rate Data and When Otherwise Indicated)

A. Components of Other Comprehensive Income

	Jan-Mar 2015	Jan-Mar 2014
Share in movement in cumulative translation adjustments of associates	**₱–**	₱75,242
Movement in cumulative translation adjustments	**(29,470)**	1,964
Other comprehensive income (loss) for the period – net of tax	**(₱29,470)**	₱77,206

B. Tax Effects Relating to Each Component of Other Comprehensive Income

	Jan-Mar 2015		
	Before-Tax Amount	**Tax (Expense) Benefit**	**Net-of-Tax Amount**
Share in movement in cumulative translation adjustments of associates	**₱–**	₱–	**₱–**
Movement in cumulative translation adjustments	**(29,470)**	–	**(29,470)**
Other comprehensive income (loss) for the period	**(₱29,470)**	₱–	**(₱29,470)**

	Jan-Mar 2014		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Share in movement in cumulative translation adjustments of associates	₱75,242	₱–	₱75,242
Movement in cumulative translation adjustments	1,964	–	1,964
Other comprehensive income (loss) for the period	₱77,206	₱–	₱77,206

C. Investments in and Advances to Associates

	March31, 2015	December 31, 2014
Acquisition cost:		
Balance at beginning of the year	**₱18,118,354**	₱18,142,549
Additions during the year	–	2,500
Disposals during the year	–	(26,695)
Balance at end of year	**18,118,354**	18,118,354
Accumulated equity in net earnings:		
Balance at beginning of the year	**7,253,461**	7,668,703
Share in net earnings	**727,188**	4,009,488
Dividends received or receivable	**(35,965)**	(4,424,730)
Balance at end of year	**7,944,684**	7,253,461
Share in cumulative translation adjustments of associates	**(375,489)**	(375,489)
Share in actuarial losses of associates	**(48,589)**	(48,589)
Share in unrealized valuation gain on AFS investment of an associate	**119,087**	119,087
	25,758,047	25,066,824
Less allowance for impairment loss	**568,125**	568,125
Investments in associates at equity	**25,189,922**	24,498,699
Advances to associates	**317,579**	317,579
	₱25,507,501	₱24,816,278

The Group's associates and the corresponding equity ownership are as follows:

	Nature of Business	% Ownership March 31, 2015
MORE	Holding company	**83.33**
SN Aboitiz Power-Magat, Inc.	Power generation	**50.00**
SN Aboitiz Power-Benguet, Inc.	Power generation	**50.00**
East Asia Utilities Corporation	Power generation	**50.00**
Hijos de F. Escaño, Inc.	Holding company	**46.73**
San Fernando Electric Light & Power Co., Inc.	Power distribution	**43.78**
Pampanga Energy Ventures, Inc.	Holding company	**42.84**
STEAG State Power, Inc.	Power generation	**34.00**
AEV Aviation, Inc.	Service	**26.69**
Cebu Energy Development Corp.	Power generation	**26.40**
Redondo Peninsula Energy, Inc.	Power generation	**25.00**
Southern Philippines Power Corporation	Power generation	**20.00**
Western Mindanao Power Corporation	Power generation	**20.00**

D. Joint Operations

Name of Joint Operation	Nature of Business	Percentage of Ownership March 31, 2015
Pagbilao Energy Corporation (PEC)	Power generation	**50.00**

** PEC's principal place of business and country of incorporation is the Philippines; No commercial operations as of March 31, 2015.*

The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis.

E. Trade and Other Payables

	March 31, 2015	December 31, 2014
Trade payables	**₱7,832,450**	₱5,445,210
Dividends payable	**12,215,283**	33,363
Others	**7,302,140**	7,299,428
	₱27,349,873	₱12,778,001

Trade payables are non-interest bearing and generally on 30-day terms.

Others include nontrade payables, accrued taxes and fees, withholding taxes and other accrued expenses and are generally payable within 12 months from the balance sheet date.

F. Bank Loans

	Interest Rate	March 31, 2015	December 31, 2014
Peso loans – financial institutions - unsecured	2.50%	**₱420,000**	₱–
Peso loans – financial institutions - unsecured	1.90%	**–**	103,000
		₱420,000	₱103,000

G. Long-term Debts

	Interest Rate	**March 31, 2015**	December 31, 2014
Company			
Retail Bonds			
12 year bonds	6.10%	**₱3,400,000**	₱3,400,000
7 year bonds	5.21%	**6,600,000**	6,600,000
		10,000,000	10,000,000
Subsidiaries:			
TSI			
Financial institution - secured	4.50% - 5.14%	**24,000,000**	24,000,000
VECO			
Financial institution - unsecured	3.50% - 4.81%	**1,792,000**	1,792,000
LHC			
Financial institutions - secured	2.00% - 2.75%	**1,727,656**	1,728,428
DLP			
Financial institution - unsecured	3.50% - 4.81%	**1,344,000**	1,344,000
HI			
Financial institution - secured	5.25%	**783,000**	810,000
SEZ			
Financial institution - unsecured	5.61% - 6.06%	**395,500**	395,500
CLP			
Financial institution - unsecured	3.50% - 4.81%	**268,800**	268,800
PEC			
Financial institution - secured	4.70% - 6.68%	**3,923,500**	3,173,501
		34,234,456	33,512,229
		44,234,456	43,512,229
Less deferred financing costs		**718,149**	729,154
		43,516,307	42,783,075
Less current portion - net of deferred financing costs		**1,386,870**	1,388,991
		₱42,129,437	₱41,394,084

H. Debt Securities

The Company registered and issued ₱10 billion worth of peso denominated fixed rate retail bonds on September 10, 2014 under the following terms:

MATURITY	INTEREST RATE	AMOUNT
12-year bonds to mature on September 10, 2026	6.10%/p.a.	₱3,400,000
10-year bonds to mature on September 10, 2021	5.21%/p.a.	₱6,600,000

I. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

		Jan-Mar 2015	Jan-Mar 2014
a.	Net income attributable to equity holders of the parent	**₱4,346,577**	₱4,178,044
b.	Weighted average number of common shares issued and outstanding	**7,358,604,307**	7,358,604,307
	Earnings per common share (a/b)	**₱0.59**	₱0.57

There are no dilutive potential common shares as of March 31, 2015 and 2014.

J. **Operating Segment Information**

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately according to services provided, with each segment representing a strategic business segment. The Group's identified operating segments, which are consistent with the segments reported to the Board of Directors (BOD), which is the Group's CODM, are as follows:

- "Power Generation" segment, which is engaged in the generation and supply of power to various customers under power supply contracts, ancillary service procurement agreements and for trading in WESM;
- "Power Distribution" segment, which is engaged in the distribution and sale of electricity to the end-users; and
- "Parent Company and Others", which includes the operations of the Company, retail electricity sales to various off takers that are considered to be eligible contestable customers and electricity related services of the Group such as installation of electrical equipment.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statement of income. Interest expense and financing charges, depreciation and amortization expense and income taxes are managed on a per segment basis.

The Group has inter-segment revenues in the form of management fees as well as inter-segment sales of electricity which are eliminated in consolidation. The transfers are accounted for at competitive market prices on an arm's-length transaction basis.

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured.

Financial information on the operations of the various business segments are summarized as follows:

March 31, 2015

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	**₱8,434,974**	**₱9,704,724**	**₱2,561,945**	**₱–**	**₱20,701,643**
Inter-segment	**3,047,241**	**–**	**595,932**	**(3,643,173)**	**–**
Total Revenue	**₱11,482,215**	**₱9,704,724**	**₱3,157,877**	**(3,643,173)**	**₱20,701,643**
Segment Results	**₱5,036,378**	**₱1,065,313**	**₱87,775**	**₱–**	**₱6,189,466**
Unallocated corporate income - net	**92,255**	**192,868**	**(1,993)**	**–**	**283,130**
INCOME FROM OPERATIONS	**5,128,633**	**1,258,181**	**85,782**	**–**	**6,472,596**
Interest expense	**(1,539,735)**	**(54,193)**	**(140,949)**	**–**	**(1,734,877)**
Interest income	**74,272**	**6,569**	**137,421**	**–**	**218,262**
Share in net earnings of associates	**708,034**	**19,218**	**4,384,730**	**(4,384,794)**	**727,188**
Provision for income tax	**(682,445)**	**(320,279)**	**(55,100)**	**–**	**(1,057,824)**
NET INCOME	**₱3,688,759**	**₱909,496**	**₱4,411,884**	**(₱4,384,794)**	**₱4,625,345**
OTHER INFORMATION					
Investments in Associates	**₱24,000,670**	**₱840,850**	**₱96,160,232**	**(₱95,811,830)**	**₱25,189,922**
Segment Assets	**₱179,558,732**	**₱20,635,255**	**₱122,437,218**	**(₱97,878,726)**	**₱224,752,479**
Segment Liabilities	**₱94,965,962**	**₱14,495,376**	**₱39,247,112**	**(₱11,917,787)**	**₱136,790,663**
Depreciation and Amortization	**₱817,913**	**₱157,731**	**₱5,674**	**₱–**	**₱1,007,597**

March 31, 2014

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱9,437,034	₱8,737,653	₱2,524,998	₱–	₱20,699,685
Inter-segment	2,479,862	–	61,342	(2,541,204)	–
Total Revenue	₱11,916,896	₱8,737,653	₱2,586,340	(₱2,541,204)	₱20,699,685
Segment Results	₱5,002,786	₱827,565	₱24,377	₱–	₱5,854,728
Unallocated corporate income - net	37,855	155,958	12,673	–	206,486
INCOME FROM OPERATIONS	5,040,641	983,523	37,050	–	6,061,214
Interest expense	(1,627,371)	(58,870)	(4,727)	–	(1,690,968)
Interest income	40,645	8,793	59,125	–	108,563
Share in net earnings of associates	768,993	24,750	4,166,995	(4,167,425)	793,313
Provision for income tax	(543,789)	(262,469)	(31,098)	–	(837,356)
NET INCOME	₱3,679,119	₱695,727	₱4,227,345	(₱4,167,425)	₱4,434,766
OTHER INFORMATION					
Investments in Associates	₱23,699,031	₱765,019	₱87,349,263	(₱86,975,690)	₱24,837,623
Segment Assets	₱165,453,043	₱18,811,380	₱106,836,357	(₱90,907,662)	₱200,193,118
Segment Liabilities	₱86,817,740	₱14,127,722	₱15,127,029	(₱11,311,414)	₱104,761,077
Depreciation and Amortization	₱791,804	₱247,673	₱4,774	₱–	₱1,063,572

K. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise cash and cash equivalents and long-term debts. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial instruments such as trade and other receivables, AFS investments, bank loans, trade and other payables, finance lease obligation, long-term obligation on power distribution system and customers' deposits, which generally arise directly from its operations.

The Group also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases.

Risk Management Structure
The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

Financial risk committee
The Financial Risk Committee has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

Treasury service group
The Treasury Service Group is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits.

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.

Liquidity risk
Liquidity risk is the risk of not meeting obligations as they become due because of the inability to liquidate assets or obtain adequate funding.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 any dividend declarations.

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. 3.25% of the Group's debt will mature in less than one year as of March 31, 2015 (December 31, 2014: 3.27%). 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.

The financial assets that will be principally used to settle the financial liabilities presented in the following table are from cash and cash equivalents and trade and other receivables. Cash and cash equivalents can be withdrawn anytime while trade and other receivables are expected to be collected/realized within one year.

The following tables summarize the maturity profile of the Group's financial liabilities as of March 31, 2015 based on contractual undiscounted principal payments:

March 31, 2015

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Trade and other payables	₱12,630,695	₱12,630,695	₱ 1,532	₱12,629,163	₱–	₱–
Customers' deposits	5,766,127	5,766,127	–	–	28,283	5,737,844
Bank loans	420,000	420,000	–	420,000	–	–
Finance lease obligation	53,935,081	92,299,536	–	7,432,686	42,132,150	42,734,700
Long-term obligation on power distribution system	263,807	520,000	–	40,000	200,000	280,000
Long-term debts	43,516,307	44,234,456	–	1,396,521	11,911,118	30,926,817
Derivative liabilities	10,277	10,277	–	10,277	–	–
	₱116,542,294	₱155,881,091	₱1,532	₱21,928,647	₱54,271,551	₱79,679,361

Market Risk
The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

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 March 31 2015, 4% of the Group's long-term debt had floating interest rates ranging from 2.00% to 2.75%, and 96% have fixed rates ranging from 3.50% to 6.68%. As of December 31, 2014, 4% of the Group's long-term debt had floating interest rates ranging from 2.00% to 2.75%, and 96% have fixed rates ranging from 3.50% to 6.68%.

The following tables set out the carrying amounts, by maturity, of the Group's financial instruments that are exposed to cash flow interest rate risk:

As of March 31, 2015

	<1 year	**1-5 years**	**>5 years**	**Total**
Floating rate - long-term debt	**₱244,148**	**₱1,222,908**	**₱252,323**	**₱1,719,379**

As of December 31, 2014

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱243,658	₱1,223,456	₱252,436	₱1,719,550

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. The Group's derivative assets and liabilities are subject to fair value interest rate risk.

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

	Increase (decrease) in basis points	Effect on income before tax
March 31, 2015	**200**	**(₱34,388)**
	(100)	**17,194**
March 31, 2014	200	(₱39,719)
	(100)	19,860

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

Theinterest expense and other finance charges recognized according to source are as follows:

	Jan-Mar 2015	Jan-Mar 2014
Finance lease obligation	**₱1,485,164**	₱1,570,381
Bank loans and long-term debt	**214,967**	82,043
Customers' deposits	**1,323**	715
Other long-term obligations	**33,423**	37,829
	₱1,734,877	₱1,690,968

Foreign exchange risk

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated obligations. To manage its foreign exchange risk, stabilize cash flows and improve investment and cash flow planning, the Group enters into foreign currency forward contracts aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flows. Foreign currency denominated borrowings account for 30% of total consolidated borrowings as of March 31, 2015 and December 31, 2014.

Presented below are the Group's foreign currency denominated financial assets and liabilities as of March 31, 2015 and December 31, 2014, translated to Philippine Peso:

	March 31, 2015		December 31, 2014	
	US Dollar	**Philippine Peso equivalent[1]**	US Dollar	Philippine Peso equivalent[2]
Loans and receivables:				
Cash and cash equivalents	**$116,451**	**₱5,205,360**	$37,065	₱1,657,547
Trade and other receivables	**1,635**	**73,070**	469	20,967
Total financial assets	**118,086**	**5,278,430**	37,534	1,678,514

	March 31, 2015		December 31, 2014	
	US Dollar	**Philippine Peso equivalent[1]**	US Dollar	Philippine Peso equivalent[2]
Other financial liabilities:				
Trade and other payables	**253**	**11,297**	5,252	234,860
Long-term debt	**38,650**	**1,727,656**	38,650	1,728,428
Finance lease obligation	**608,319**	**27,191,859**	614,635	27,486,477
Total financial liabilities	**647,222**	**28,930,812**	658,537	29,449,765
Total net financial liabilities	**($529,136)**	**(₱23,652,382)**	($621,003)	(₱27,771,251)

[1]$1 = ₱44.70
[2]$1 = ₱44.72

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's income before tax as of March 31, 2015:

	Increase/ (decrease) in US Dollar	Effect on income before tax
US Dollar denominated accounts	**US Dollar strengthens by 5%**	**(₱1,182,619)**
US Dollar denominated accounts	**US Dollar weakens by 5%**	**1,182,619**

The increase in US Dollar rate represents the depreciation of the Philippine Peso while the decrease in US Dollar rate represents appreciation of the Philippine Peso.

The Group's sensitivity to an increase/decrease in foreign currency pertaining to derivative instruments is expected to be insignificant due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

Credit risk

For its cash investments (including restricted portion), 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 investments. With respect to cash investments 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 and entities 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 only enter into transactions with 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 it has internal mechanisms to monitor the granting of credit and management of credit exposures.

Concentration Risk

Credit risk concentration of the Group's receivables according to the customer category as of March 31, 2015 and December 31, 2014 is summarized in the following table:

	March 31, 2015	December 31, 2014
Power distribution:		
Industrial	**₱2,777,755**	₱2,968,690
Residential	**1,030,577**	1,218,810
Commercial	**424,306**	547,802
City street lighting	**11,866**	15,630
Power generation:		
Power supply contracts	**3,667,850**	4,652,728
Spot market	**1,753,795**	1,685,598
	₱9,666,149	₱11,089,258

Capital Management

Capital includes equity attributable to the equity holders of the parent. 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.
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 70% or below. The Group determines net debt as the sum of interest-bearing short-term and long-term loans (comprising long-term debt, finance lease obligation and payable to a preferred shareholder of a subsidiary) less cash and short-term deposits.

Gearing ratios of the Group as of March 31, 2015 and December 31, 2014 are as follows:

	March 31, 2015	December 31, 2014
Bank loans	**₱420,000**	₱103,000
Long-term debt	**97,451,388**	97,244,096
Cash and cash equivalents	**(47,391,488)**	(40,231,875)
Net debt (a)	**50,479,900**	57,115,221
Equity	**87,961,816**	96,080,440
Equity and net debt (b)	**₱138,441,716**	₱153,195,661
Gearing ratio (a/b)	**36.46%**	37.28%

No changes were made in the objectives, policies or processes during the period ended March 31, 2015 and December 31, 2014.

L. **Financial Instruments**

Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments whose fair values are different from their carrying amounts.

	March 31, 2015		December 31, 2014	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Liabilities				
Finance lease obligation	**₱53,935,081**	**₱58,865,232**	₱54,461,021	₱67,425,952
Long-term debt - fixed rate	**41,796,928**	**42,099,909**	41,063,525	41,804,240
Long-term obligation on power distribution system	**263,807**	**420,143**	256,015	415,314
	₱95,995,816	**₱101,385,284**	₱95,780,561	₱109,645,506

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

*Cash and cash equivalents, trade and other receivables, bank loans and trade and other payables.*The carrying amounts of cash and cash equivalents,trade and other receivables, bank loans and trade and other payables approximate fair value due to the relatively short-term maturity of these financial instruments.

Fixed-rate borrowings. The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans.

Floating-rate borrowings. Since repricing of the variable-rate interest bearing loan is done on a quarterly basis, the carrying value approximates the fair value.

Finance lease obligation. The fair value of the finance lease obligation was calculated by discounting future cash flows using applicable interest rates.

*Long-term obligation on PDS.*The fair value of the long-term obligations on power distribution system is calculated by discounting expected future cash flows at prevailing market rates.

*Customers' deposits.*The fair value of bill deposits approximates the carrying values as these deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines. The timing and related amounts of future cash flows relating to transformer and lines and poles deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

AFS investments. These are carried at cost less impairment because fair value cannot be determined reliably due to the unpredictable nature of cash flows and lack of suitable methods of arriving at reliable fair value.

Derivative financial instruments
The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities and purchases.

The movements in fair value changes of all derivative instruments for the period ended March 31, 2015 and for the year ended December 31, 2014 are as follows:

	March 31, 2015	December 31, 2014
At beginning of year	**₱112,544**	₱30,877
Net changes in fair value of derivatives designated as accounting hedges	**(33,689)**	55,600
Net changes in fair value of derivatives not designated as accounting hedges	**-**	(897)
Fair value of settled instruments	**-**	26,964
At end of year	**₱78,855**	₱112,544

<u>Fair Value Hierarchy</u>
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of March 31, 2015, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Derivative asset	₱89,132	₱–	₱89,132	₱–
Derivative liability	10,277	–	10,277	–
Disclosed at fair value:				
Finance lease obligation	58,865,232	–	–	58,865,232
Long-term debt - fixed rate	42,099,909	–	–	42,099,909
Long-term obligation on PDS	420,143	–	–	420,143

During the period ended March 31, 2015, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

M. **Disclosures**

1. Corporate Information

Aboitiz Power Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission on February 13, 1998. The Company is a publicly-listed holding company of the entities engaged in power generation and power distribution in the Aboitiz Group. As of March 31, 2015, Aboitiz Equity Ventures, Inc. (AEV, also incorporated in the Philippines) owns 76.88% of the Company. The ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The registered office address of the Company is 32nd street, Bonifacio Global City, Taguig City, Metro Manila.

2. Group Information

The consolidated financial statements comprise the financial statements of the Company, subsidiaries controlled by the Company and joint operation that are subject to joint control (collectively referred to as "the Group"). The following are the subsidiaries as of March 31, 2015 and December 31, 2014:

		Percentage Ownership			
		March 31, 2015		December 31, 2014	
	Nature of Business	**Direct**	**Indirect**	Direct	Indirect
Aboitiz Renewables, Inc. and Subsidiaries	Power generation	**100.00**	**–**	100.00	–
AP Renewables, Inc.	Power generation	**–**	**100.00**	–	100.00
Hedcor, Inc. (HI)	Power generation	**–**	**100.00**	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power generation	**–**	**100.00**	–	100.00
Hedcor Tudaya, Inc. (HTI)	Power generation	**–**	**100.00**	–	100.00
Luzon Hydro Corporation (LHC)	Power generation	**–**	**100.00**	–	100.00
AP Solar Tiwi, Inc.*	Power generation	**–**	**100.00**	–	100.00
Bakun Power Line Corporation*	Power generation	**–**	**100.00**	–	100.00
Cleanergy, Inc.*	Power generation	**–**	**100.00**	–	100.00
Cordillera Hydro Corporation*	Power generation	**–**	**100.00**	–	100.00
Hedcor Benguet, Inc.*	Power generation	**–**	**100.00**	–	100.00
Hedcor Bukidnon, Inc.*	Power generation	**–**	**100.00**	–	100.00
Hedcor Cordillera, Inc.*	Power generation	**–**	**100.00**	–	100.00
Hedcor Ifugao, Inc.*	Power generation	**–**	**100.00**	–	100.00
Hedcor Kalinga, Inc.*	Power generation	**–**	**100.00**	–	100.00
Hedcor Itogon Inc.*	Power generation	**–**	**100.00**	–	100.00
Hedcor Manolo Fortich, Inc.*	Power generation	**–**	**100.00**	–	100.00
Hedcor Mt. Province, Inc.*	Power generation	**–**	**100.00**	–	100.00
Hedcor Sabangan, Inc.*	Power generation	**–**	**100.00**	–	100.00
Hedcor Tamugan, Inc.*	Power generation	**–**	**100.00**	–	100.00
Kookaburra Equity Ventures, Inc.	Holding company	**–**	**100.00**	–	100.00
Mt. Apo Geopower, Inc.*	Power generation	**–**	**100.00**	–	100.00
Negron Cuadrado Geopower, Inc.*	Power generation	**–**	**100.00**	–	100.00
Tagoloan Hydro Corporation*	Power generation	**–**	**100.00**	–	100.00
Hydro Electric Development Corporation	Power generation	**–**	**99.97**	–	99.97
Therma Power, Inc. and Subsidiaries	Power generation	**100.00**	**–**	100.00	–
Therma Luzon, Inc.	Power generation	**–**	**100.00**	–	100.00
Therma Marine, Inc.	Power generation	**–**	**100.00**	–	100.00
Therma Mobile, Inc.	Power generation	**–**	**100.00**	–	100.00
Therma South, Inc.*(TSI)	Power generation	**–**	**100.00**	–	100.00
Therma Power-Visayas,*	Power generation	**–**	**100.00**	–	100.00
Therma Central Visayas, Inc.*	Power generation	**–**	**100.00**	–	100.00
Therma Southern Mindanao, Inc.*	Power generation	**–**	**100.00**	–	100.00
Therma Subic, Inc.*	Power generation	**–**	**100.00**	–	100.00
Therma Visayas, Inc.* (TVI)	Power generation	**–**	**80.00**	–	100.00
Abovant Holdings, Inc.	Holding company	**–**	**60.00**	–	60.00
Aboitiz Energy Solutions, Inc.	Retail electricity supplier	**100.00**	**–**	100.00	–
Adventenergy, Inc.	Retail electricity supplier	**100.00**	**–**	100.00	–
Balamban Enerzone Corporation	Power distribution	**100.00**	**–**	100.00	–

		Percentage Ownership			
		March 31, 2015		December 31, 2014	
	Nature of Business	Direct	Indirect	Direct	Indirect
LiMa Enerzone Corporation	Power distribution	**100.00**	**–**	100.00	–
Mactan Enerzone Corporation	Power distribution	**100.00**	**–**	100.00	–
Cotabato Light and Power Company (CLP)	Power distribution	**99.94**	**–**	99.94	–
Cotabato Ice Plant, Inc.	Manufacturing	**–**	**100.00**	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power distribution	**99.93**	**–**	99.93	–
Subic Enerzone Corporation (SEZ)	Power distribution	**65.00**	**34.98**	65.00	34.98
Cebu Private Power Corporation	Power generation	**60.00**	**–**	60.00	–
Prism Energy, Inc. *	Retail electricity supplier	**60.00**	**–**	60.00	–
Visayan Electric Company (VECO)	Power distribution	**55.26**	**–**	55.26	–

** No commercial operations as of March 31, 2015.*

3. Basis of Financial Statement Preparation and Changes in Accounting Policies

Basis of Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2014 annual audited consolidated financial statements, and should be read in conjunction with the Group’s consolidated financial statements as of and for the year ended December 31, 2014.

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited condensed consolidated financial statements are based upon management’s evaluation of relevant facts and circumstances as of the date of the unaudited condensed consolidated financial statements. Actual results could differ from such estimates.

The unaudited condensed consolidated financial statements of the Group are presented in Philippine peso, the Group’s functional currency, and rounded to the nearest thousands except for earnings per share and exchange rates and when otherwise indicated.

On May 7, 2015, the Audit Committee of the Board of Directors approved and authorized the release of the accompanying unaudited condensed consolidated financial statements of the Group.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the new and revised PFRS and Philippine Interpretations which the Group has adopted starting January 1, 2015. Except as otherwise indicated, adoption of these new and revised standards and interpretations did not have any significant impact on the Group’s financial statements:

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  Amendment to PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. It clarifies that, if the amount of the contributions is independent of the number of years of service, an entity

is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment, which becomes effective starting January 1, 2015, is not applicable to the Group since the entities in the Group have defined benefit plans which do not require contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
    a. A performance condition must contain a service condition
    b. A performance target must be met while the counterparty is rendering service
    c. A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
    d. A performance condition may be a market or non-market condition
    e. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39 (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
    a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
    b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel Services*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have any material impact on the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
    a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

New Accounting Standards, Interpretations, and Amendments to Existing Standards Not Yet Effective as of January 1, 2015

The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group shall consider these amendments if it enters into this type of arrangement in the future.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity’s rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. This standard is not applicable since the Group is an existing PFRS preparer.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have any material impact on the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

- PFRS 9, *Financial Instruments - Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items,

provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of PFRS 9 will have an effect on the classification and measurement of and impairment methodology for the Group's financial assets, and on its application of hedge accounting. However, it will have no impact on the classification and measurement of its financial liabilities.

  After evaluating the impact of PFRS 9 and considering that it will not have any significant effect on the Group's operating results or financial condition, management has decided not to early adopt the said standard. It will be implemented only when it becomes effective on January 1, 2018. Thus, the consolidated financial statements do not reflect the impact of this standard.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

4. <u>Seasonality of Interim Operations</u>

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 precipitation seasonality greatly affects subsidiary companies HI, HSI, HTI and LHC, which operate 'run-of-river' hydropower plants since these plants do not have any means to impound water.

Any unexpected change in the seasonal aspects will have no material effect on the Group's financial condition or results of operations.

5. Property, Plant and Equipment

During the three months ended March 31, 2015, the Group's additions to property, plant and equipment amounted to ₱2.65 billion, including acquisition of distribution assets amounting to ₱405.7 million, and costs relating to the construction of power plant facilities.

A significant portion of the Group's property, plant and equipment relates to various projects under "Construction in progress" as of March 31, 2015, as shown below:

Project Company	Estimated cost to complete (in millions)	% of completion
TVI	37,647	3%
PEC	18,646	16%
Hedcor Bukidnon, Inc.	11,307	0%
TSI	5,256	84%
Hedcor Sabangan, Inc.	532	72%

For the period, construction costs for the various projects amounted to ₱2.13 billion, which includes capitalized borrowing costs amounting to ₱331.1 million.

6. Material Events and Changes

a) Dividend declaration

On March 10, 2015, the BOD approved the declaration of cash dividends of ₱1.14 a share (₱8.39 billion) and special cash dividends of ₱0.52 a share (₱3.83 billion) to all stockholders of record as of March 24, 2015. The cash dividends are payable on April 20, 2015.

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 and 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.

7. 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.

8. Contingencies

The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the likely outcome of these proceedings and legal cases will not have a material adverse effect on the Group's financial position and operating results. It is possible, however, that the future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings and legal cases.

The Company obtained Standby Letters of Credit and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations.

N. **Schedule of Relevant Financial Ratios**

	Formula	March 31, 2015	December 31, 2014
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	**1.90**	3.36
Acid test ratio	(Cash + Marketable securities + Accounts receivable + Other liquid assets) / Current liabilities	**1.76**	3.12
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilites / Total equity	**1.56**	1.26
Asset to equity ratio	Total Assets / Total Equity	**2.56**	2.26
Net debt to equity ratio	Debt - Cash & cash equivalents / Total Equity	**0.57**	0.59
Gearing ratio	Debt - Cash & cash equivalents / Total Equity + (Debt - Cash & cash equivalents)	**36.46%**	37.28%
Interest coverage ratio *	EBIT / Interest expense	**n.a.**	4.88
PROFITABILITY RATIOS			
Operating margin *	Operating profit / Total revenues	**n.a.**	25.76%
Return on equity *	Net income after tax / Total equity	**n.a.**	21.29%

*Ratio marked * is deemed not applicable (n.a.) for the interim reporting period since this would not be comparable to the ratio reported in the previous period.*

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

1) AGING OF RECEIVABLES
AS OF : March 31, 2015

	30 Days	60 Days	90 Days	Over 90 Days	Total
A/R - Trade:					
Power Distribution Customers	2,391,309	384,576	70,247	452,278	3,298,410
Power Generation Customers	2,802,557	180,375	449,686	1,989,027	5,421,645
Management & Other Services Customers	946,094	-	-	-	946,094
Sub-total - A/R - Trade	**6,139,960**	**564,951**	**519,933**	**2,441,305**	**9,666,149**
Less : Allowance for Doubful Accounts					**1,691,750**
Net Trade Receivables					**7,974,399**
A/R - Non Trade	**2,088,765**	**5,968**	**3,572**	**102,276**	**2,200,581**
Grand Total	**8,228,725**	**570,919**	**523,505**	**2,543,581**	**10,174,980**

2) ACCOUNTS RECEIVABLE DESCRIPTION

Type of Receivable	Nature / Description	Collection 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

3) NORMAL OPERATING CYCLE

Power Subsidiaries
Distribution - 60 days
Generation - 65 days