AboitizPower

MAY 15 2014

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills,
Mandaluyong City, Metro Manila

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

PHILIPPINE STOCK EXCHANGE, INC.
3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

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

Gentlemen:

We file herewith two (2) copies of SEC Form 17-Q (1st Quarterly Report 2014) of Aboitiz Power Corporation.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION
By

M. JASMINE S. OPORTO
Corporate Secretary

Printed on recycled paper

COVER SHEET

C 1 9 9 8 0 0 1 3 4

S.E.C. Registration Number

A B O I T I Z P O W E R C O R P O R A T I O N

(Company's Full Name)

3 2 N D S T R E E T , B O N I F A C I O G L O B A L

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

P H I L I P P I N E S

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

M. JASMINE S. OPORTO	02-886-2800
Contact Person	Company Telephone Number

1st Quarterly Report 2014

1 2 3 1	1 7 - Q	3rd Monday of May: 0 5 1 9
Month Day	FORM TYPE	Month Day
Fiscal Year		Annual Meeting

Secondary License Type, if Applicable

S E C		
Dept. Requiring this Doc		Amended Articles Number/Section
	x	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU
Document I.D.	Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2014**

2. Commission identification number **C199800134** 3. BIR Tax Identification No. **200-652-460**

4. Exact name of issuer as specified in its charter

ABOITIZ POWER CORPORATION

5. Province, country or other jurisdiction of incorporation or organization

Philippines

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office Postal Code

32nd Street, Bonifacio Global City,Taguig City, Metro Manila, Philippines **1634**

8. Issuer's telephone number, including area code **(02) 886-2800**

9. Former name, former address and former fiscal year, if changed since last report **N.A.**

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of March 31, 2014)
Common Stock ₱1 Par Value	**7,358,604,307**
Amount of Debt Outstanding	**₱81,253,305,000.00**

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

Yes [x] No [ ]

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

Philippine Stock Exchange	**Common**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

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

Yes [x] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith.

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

The following discussion and analysis of Aboitiz Power Corporation's (AP, 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.

Top Five Key Performance Indicators

Management uses the following indicators to evaluate the performance of registrant AboitizPower 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, net of goodwill impairment cost, if any. Goodwill is the difference between the purchase price of an investment and the investor's share in the value of the net identifiable assets of the investee at the date of acquisition. Share in Net Earnings of Associates indicates profitability of the investment and investees' contribution to the group's net income.

   Manner of Computation: Associate'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 2014 and 2013, and as of December 31, 2013:

Amounts in thousands except for financial ratios

	MAR 2014	MAR 2013	DEC 2013
SHARE IN NET EARNINGS OF ASSOCIATES	**793,313**	960,121	
EBITDA	**8,168,777**	6,875,533	
CASH FLOW GENERATED:			
Net cash flows from operating activities	**6,762,529**	4,716,330	
Net cash flows used in investing activities	**(3,975,214)**	(96,129)	
Net cash flows from (used in) financing activities	**414,897**	(11,809,943)	
Net increase (decrease) in cash & cash equivalents	**3,202,212**	(7,189,742)	
Cash & cash equivalents, beginning	**31,383,499**	30,678,493	
Cash & cash equivalents, end	**34,601,203**	23,479,511	
CURRENT RATIO	**3.23**		2.87
DEBT-TO-EQUITY RATIO	**1.10**		1.13

- Share in Net Earnings of Associates decreased mainly as a consequence of the step-acquisition of the Visayan Electric Company, Inc. (VECO) which is now a consolidated subsidiary. STEAG State Power, Inc. (STEAG) also had lower contributions this year due to an extended unplanned outage during the first quarter. STEAG runs a coal fired power plant in Northern Mindanao

The Company's Current ratio improved from 2.87x as of the end of December 31, 2013 to 3.23x as of the end of March 31, 2014. The Company's current assets increased mainly as result of the higher cash and cash equivalents as of the end of the first quarter.

Debt to equity ratio improved from 1.13x as of December 31, 2013 to 1.10x as of March 31, 2014. The improvement comes from a higher increase in Equity, as income for the period is recognized, as compared to the increase in the Company's total liabilities.

Results of Operations

The Company recorded a consolidated net income of ₱4.18 bn for the quarter ending March 31, 2014, recording a decrease of 9% year-on-year (YoY).

Unrealized non-recurring loss amounted to ₱211 million(mn) from the revaluation of consolidated dollar loans and placements. Accounting for this, the Company's core net income for the first quarter of 2014 amounted to ₱4.4 billion (bn), 3% lower YoY.

Power Generation

For the first quarter of 2014, the power generation business recorded an income contribution of ₱3.6 bn, 10% lower as compared to the same period last year. When adjusted for non-recurring items, the group registered a 3% YoY decrease in its core net income, from ₱3.9 bn to ₱3.8 bn. The lower earnings were mainly attributable to the higher fuel cost brought about by the implementation of the Geothermal Resource Sales Contract (GRSC) for the Tiwi-Makban plants under AP Renewables, Inc. (APRI) as well as the expiration Therma Luzon, Inc.'s (TLI) income tax holiday.

Average selling prices of the generation group rose by 8% following a 16% increase on its selling prices to the spot market. Average selling prices under bilateral contracts also increased, registering growth of 6% YoY largely due to the Company's dollar-linked contracts and the entry of the Company's oil-fired barges in Navotas, which began operations last November 2013.

The generation group's net generation grew by 10% from 2,450 GWh to 2,688 GWh for the period in review. This was driven by the 12% YoY growth in power sales through bilateral contracts to 2,188 GWh resulting from the Pagbilao plant's higher contracted levels with contestable customers through Open Access.

On a capacity basis, the Company's attributable sales increased by 19% YoY from 1,498 MW to 1,780 MW. This was due to an increase in ancillary volumes as well as higher contracted levels by the generation group. The equivalent in capacity sales for ancillary services for the quarter in particular increased by 166% from just 59 MW a year ago to 156 MW.

Power Distribution

For the period in review, the power distribution group registered a 17% YoY earnings decline, from ₱749 mn to ₱618 mn. The group's attributable electricity sales for the quarter increased by 5% to 1,000 GWh from 956 GWh a year ago.

The growth in sales was primarily driven by a 9% increase in sales to the industrial segment, particularly for Davao Light & Power Company, Inc. (Davao Light) as this customer segment in its franchise area saw a recovery from the effects of Typhoon Pablo last year as well as new industrial customers.

Nevertheless, the insufficient supply of power in Mindanao increased operating costs for Davao Light and Cotabato Light & Power Company (Cotabato Light) while lower gross margins in VECO also lead to lower contributions, all of this leading to the noted decline.

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

Consolidated Statements of Income
(January – March 2014 vs. January – March 2013)

The various movements in the revenue and expense line items leading to the consolidated net income of ₱4.18 bn are shown below:

Consolidated net income attributable to equity holders of the Parent (January – March 2013)	**₱ 4,594,828**
Increase in operating revenues	7,395,396
Increase in operating expenses	(6,425,009)
Decrease in interest income	(57,575)
Increase in interest expense	(264,744)
Decrease in share in net earnings of associates	(166,808)
Decrease in others - net	(125,268)
Higher provision for taxes	(611,977)
Increase in income attributable to non-controlling interests	(160,799)
Total	(416,784)
Consolidated net income attributable to equity holders of the Parent (January – March 2014)	**₱4,178,044**

Operating Revenues
(56% increase from ₱13.30 bn to ₱20.70 bn)

The recently consolidated revenues of VECO accounts for 62% of the total increase in operating revenues. Revenues at Davao Light also increased as sales to its industrial customers improved as these recovered from the effects of Typhoon Pablo in the prior year.

The Generating segment also saw higher operating revenues mainly at TLI driven by higher sales to the spot market. The Company also started to take up the operating revenues of Therma Mobile, Inc. (TMO) which operates oil-fired barges in Navotas, and began operations last November 2013

Fresh revenue stream coming from contracts entered into by the Company's Retail Electricity Supplier Licensed Companies - Aboitiz Energy Solutions, Inc. (AESI) and Advent Energy, Inc. (AdventEnergy) which began their respective operations after Open Access started in July of 2013 accounted for the remaining increase in operating revenues.

Operating Expenses
(76% increase from ₱8.42 bn to ₱14.84 bn)

The main driver of the higher operating expenses during the period is the newly consolidated expenses at VECO accounting for 60% of the increase.

The remaining factors leading to the higher operating expenses during the period are presented below:

- the recognition of the operating expenses of newly operating RES Companies , AESI and AdventEnergy;
- higher fuel cost at APRI brought about by the implementation of the GRSC; and
- Fresh operating expenses of TMO which started operations last November 2013.

Interest Income
(35% decrease from ₱166 mn to ₱108 mn)

Lower interest income recognized at TLI and APRI due to lower average cash balances held during the period compared to the prior year drove down interest income consolidated from the two companies. This was slightly offset by higher interest income recognized by the Company during the period.

Interest Expense
(19% increase from ₱1.43 bn to ₱1.69 bn)

The increase in interest expense is mainly from the higher accreted interest on the finance lease obligation of TLI.

Higher interest expenses were recognized at Davao Light and VECO which was offset by lower interest expenses of the Company during the period.

Share in Net Earnings of Associates
(17% decrease from ₱960 mn to ₱793 mn)

Share in Net Earnings of Associates decreased mainly as a consequence of the step-acquisition of VECO, which is now a consolidated subsidiary.

Meanwhile, an unplanned extended outage at STEAG led to lower income contributions during the period in review.

Others -net
(38% decrease from ₱332 mn to ₱206 mn)

Other income dropped by 38% as a result of unrealized foreign exchange (FX) losses during the period versus unrealized foreign exchange gains in the prior period. The foreign exchange gains and losses are from the restatement of TLI's dollar denominated debt which it recognizes on its monthly obligations to Power Sector Assets and Liabilities Management Corporation (PSALM) which is accounted for as a finance lease obligation.

Net Income Attributable to Non-controlling Interests

The recognition of the Net income attributable to the non-controlling interest of VECO resulted to the increase in this account for the period in review.

Consolidated Statements of Comprehensive Income
(January - March 2014 vs. January – March 2013)

Total Consolidated comprehensive income attributable to equity holders of the Parent mirrored the decrease in the net income for the period dropping by 8% from the previous year after taking up increases from cumulative translation adjustments.

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

Assets
(March 31, 2014 vs. December 31, 2013)

Total assets increased by 3% from ₱ 193.94 bn as of December 31, 2013 to ₱200.19 bn as of March 31, 2014. The material movements in the accounts contributing to the increase in total assets are discussed below:

a) Total cash and cash equivalents increased by ₱3.21 bn or 10% mainly as a result of internally generated cash from operations, proceeds from long term debt and dividends received from associates, net of spending on capital expenditures for various green field projects.

b) Trade and other receivables decreased by 6% (from ₱13.04 bn in December 2013 to ₱12.21 bn in March 2014) following the subsequent collection of dividends receivable by Aboitiz Renewables, Inc. (ARI) in the first quarter of the year.

c) Derivative assets decreased by ₱10 mn as foreign exchange contracts ended in the first quarter of the year.

d) Higher dispatch than planned led to a slight decrease in TLI's coal inventory which accounts for the 9% drop in inventories.

e) Other current assets increased by 26% (from ₱1.74 bn in December 2013 to ₱2.2 bn in March 2014) mainly due to an accrual of downtime credit recognized as prepaid asset at TLI.

f) Net pension assets decreased by 9% as a subsidiary provided for current service costs on its pension plan.

g) A 40% decrease in deferred income tax assets is noted during the period as TLI adjusts its deferred tax asset relating to Net Operating Loss Carry Over (NOLCO) on the expiration of its tax holiday.

h) The build-up of input VAT by power generation subsidiaries particularly at Therma South, Inc. (TSI) as it relates to the ongoing construction of its coal power plant, increased Other noncurrent assets by 10%.

Liabilities
(March 31, 2014 vs. December 31, 2013)

Consolidated liabilities as of March 31, 2014 increased by 2% or by ₱2.07 bn from December 31, 2013 balances. The liability accounts contributing to the increase are as follows:

a) Lower accrued expenses taken up at TLI at the end of this period versus balances as of the end of 2013, allowed Trade and other payables to decrease by 9%.

b) Derivative liabilities went down to nil as of end March 2013 as financial contracts expired.

c) Income Tax payable increased by ₱315 mn primarily due to higher tax payable balances at the end of the quarter for the large distribution utilities Davao Light and VECO as well as higher tax payable at Cebu Private Power Corporation (CPPC).

d) Long Term debt increased by 12% as TSI made further drawdowns on its project debt on a loan facility agreement with various lenders during the period.

e) Deferred tax liability balances increased by 31% as TLI moved from a deferred tax asset to a deferred tax liability position. TLI's deferred tax liabilities is from previously recorded unrealized foreign exchange gains.

Equity
(March 31, 2014 vs. December 31, 2013)

Equity attributable to equity holders of the Parent increased by ₱4.26 bn from P 87.63 bn as of December 31, 2013 to ₱91.88 bn as of March 31, 2014, as income for the current period is recognized.

Material Changes in Liquidity and Cash Reserves of Registrant
(Jan-Mar 2014 vs. Jan-Mar 2013)

The inflows and outflows of the Company's Cash and Cash equivalents for the first three months of 2014 as compared to the cash flows for the same period in the prior year are accounted for as follows:

Strong earnings continue to provide significant EBITDA leading to Cash flows from Operating activities in the first quarter of this year to exceed last year's inflows by 43%.

The investing activities relating to major capital expenditures for projects primarily the construction of the coal power plant in Mindanao and various hydro projects, resulted into cash outflows for investing activities to reach ₱3.98 bn during the first three months of the year which is significantly higher than the previous year's outflow of only ₱96 mn.

In the first quarter, the Company received proceeds from long-term debt mainly from the draw down of TSI's project debt with various lenders. For the same period, TLI made continuous payments on its finance lease obligation to PSALM. Overall, these financing activities led to net cash flows from financing activities of ₱415 mn.

The above cash flow activities lead to Cash and Cash Equivalents to increase from ₱31.38 bn as of December 31, 2013 to the current end of the quarter 2014 balance of₱34.60 bn.

Financial Ratios

The higher cash balances at the end of the quarter in review improved current assets and pushed current ratio from 2.87x as of the end of December 31, 2013 to 3.23x as of the end of March, 2014.

With total liabilities increasing by 2% versus the increase in equity of 5%, the debt to equity ratio improved from 1.13x as of December 31, 2013 to 1.10x as of March 31, 2014

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

Over the long term, AboitizPower remains to be in a very good position to benefit from the opportunities that developments concerning the electricity industry will bring. Its sound financial condition, coupled with a number of initiatives that the Company is undertaking will allow it to create additional generating capacity over the next several years. Nevertheless, AboitizPower sees several developments that may affect earnings in 2014. These developments are as follows:

Power

Generation Business

1. Ancillary Services

SN Aboitiz Power (SNAP) a partnership between AboitizPower and SN Power Invest AS (SN Power), is currently providing ancillary services to National Grid Corporation of the Philippines (NGCP) under an Ancillary Services Procurement Agreement (ASPA). The ASPA for Magat expired last November 5, 2012 while Binga's ASPA expired on June 25, 2013.

The Company earlier disclosed that its affiliates, SN Aboitiz Power – Magat, Inc. (SNAP-Magat) and SN Aboitiz Power – Benguet, Inc. (SNAP-Benguet), have respectively signed ASPAs with NGCP for the provision of regulating, contingency, and dispatchable reserves from the Magat and Ambuklao Hydroelectric Power Plants. Another affiliate, TLI, which runs the Pagbilao Coal Plant, also signed an ASPA with the NGCP covering both firm and non-firm capacities for contingency reserve. The ASPAs of Magat and Ambuklao shall be valid for three (3) years once the approval of the Energy Regulatory Commission (ERC) for the contract has been secured. On the other hand, TLI's ASPA is valid for a period of five (5) years from the date of approval by the ERC. The issuance of a provisional authority (PA) from the ERC paved the way for the implementation of the new ASPAs for the Magat, Ambuklao and Pagbilao plants starting July 26, 2013.

For Magat, ERC provisionally approved the ASPA rates with some revisions. SNAP filed a Motion for Reconsideration (MR) for the Magat ASPA, which remains unresolved while the final approval is still pending.

The ERC also issued a PA on the Ambuklao ASPA signed by SNAP and NGCP. SNAP filed an MR Reconsideration with the ERC on the PA. Both the MR and the Final Approval of the Ambuklao ASPA are still pending with the ERC. In the meantime, both parties have yet to implement the Ambuklao ASPA due to ongoing discussions on the technical parameters of the service to be rendered.

SNAP-Benguet also signed an ASPA for the provision of non-firm capacities for regulating reserve, contingency reserve, dispatchable reserve and blackstart capability from the Binga hydroelectric power plant. As of February 2014, SNAP-Benguet received the order from the ERC provisionally approving the ASPA between the company (Binga) and NGCP. SNAP filed an MR on the methodology of payment.

AboitizPower believes that the implementation of the new ASPAs will result in a significant reduction in the Company's ancillary revenues due to the restructuring of the pricing mechanism for ancillary services, which is currently linked to spot market rates. On the other hand, the addition of the Ambuklao and Pagbilao plants as licensed ancillary service providers will help offset the expected decline in ancillary revenue.

2. Conversion of AP Renewables, Inc.'s (APRI) existing steam contract to a Geothermal Resource Sales Contract

On May 26, 2013, APRI's current steam supply contract with the Philippine Geothermal Production Corporation (PGPC, formerly known as Chevron) shifted to a GRSC. The change is due to an existing provision under the government's existing contract with Chevron when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to PGPC will be at a premium to coal. Due to competition from coal plants, the contracts of APRI mimic that of coal plants, including the proportion of fuel to total cost of power.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 14, 2013. This will result in a lower fuel cost during off-peak hours, thus allowing AboitizPower to maximize sales even during this period. The agreement is currently being extended every two months. Ultimately, the Company aims to close a permanent agreement with the steam supplier that will also enable the full development of the existing steam field and maximize utilization of the Tiwi-Makban plants.

3. Expiration of Income Tax Holiday

Several of the AboitizPower's plants were eligible for an income tax holiday (ITH) upon their acquisition by the Company. Upon the expiration of the ITH, the respective plants will now be assessed a corporate income tax in accordance with the relevant laws. In 2014, the ITH of TLI and SNAP-Magat will expire.

SNAP-Magat

The Board of Investments approved SNAP-Magat's application to avail of the one-year bonus ITH under Executive Order No. 226 (Omnibus Investments Code of 1987) which pushed the original expiration from July 11, 2013 to July 11, 2014. After the lapse of SNAP Magat's ITH this year, it is now liable to pay income tax, which would be whatever is higher between 30% regular corporate income tax based on net income or 2% minimum corporate income tax based on gross income.

Therma Luzon, Inc.

On February 26, 2010, the BOI approved the Company's application as a New Independent Power Producer Administrator of the 700 MW Pagbilao Coal Fired Thermal Power Plant Project under Energy with Non-Pioneer Status under the Omnibus Investments Code of 1987. On April 21, 2010, the BOI granted the Company's request for the adjustment of the commencement of its ITH availment period from February 26, 2010 to January 1, 2010.

Among other incentives, the BOI granted the company an ITH for a period of four (4) years without extension from January 1, 2010 or actual start of operation, whichever is earlier but in no case earlier than the date of registration. The ITH incentives shall be limited only to the sales/revenue generated from the sale of electricity of the power plant. Based on this schedule, TLI will now be subject to a 30% corporate income tax beginning January 2014.

4. Increase in Attributable Generating Capacity

Notwithstanding the challenges over the short-term, AboitizPower has built the necessary foundation to sustain its growth trajectory over the long term. Over the next several years, AboitizPower looks to expanding its portfolio of generation assets by implementing the following projects.

- Greenfield and Brownfield developments

  600 MW (net) Coal-Fired Power Plant in Subic. This is a project by Redondo Peninsula Energy, Inc. (RP Energy), a joint venture among Meralco PowerGen Corporation (MPGC), Aboitiz subsidiary Therma Power, Inc. (TPI) and Taiwan Cogeneration International Corporation (TCIC). AboitizPower, through TPI, will have an equity interest of 25% in RP Energy.The project involves the construction and operation of a 2x300 MW (net) circulating-fluidized-bed (CFB) coal-fired power plant located within the Subic Bay Freeport Zone. On November 15, 2012, RP Energy was issued an amended Environmental Compliance Certificate to cover two high-efficiency 300-MW (net) units with main steam reheat systems. Site preparation is substantially completed. The EPC contract has been awarded to Hyundai with Foster Wheeler and Toshiba as major subcontractors/suppliers of the CFB boilers and turbine-generators, respectively.

  Hyundai has not been notified to proceed with the works, however, because of the filing with the Supreme Court of a petition for a Writ of Kalikasan and environmental protection order by an *ad hoc* group of individuals and organizations. The petition was remanded to the Court of Appeals for a hearing. The Court of Appeals denied the issuance of Writ of Kalikasan for lack of merit, but nonetheless, nullified RP Energy's Environmental Compliance Certificate and land lease with SBMA on grounds of DENR non-compliance with procedural requirements and SBMA failure to secure LGU approvals/endorsements, respectively. This decision is the subject of three Petitions for Review on Certiorari to the Supreme Court filed by RP Energy, DENR and SBMA that may require the first semester of 2014 to resolve. In view of the legal dispute, the commercial operation of the power plant is now estimated to begin in mid to late 2017.

  300 MW CFB Coal-Fired Power Plant in Davao. AboitizPower, through 100%-owned subsidiary Therma South, Inc. (TSI), is putting up a 2x150 MW CFB coal-fired power plant in Davao, which is the biggest load center in the island of Mindanao. The project broke ground in May 2012. The EPC contract for the power block was awarded to Formosa Heavy Industries (FHI) with FHI

supplying the CFB boilers and Fuji as major subcontractor/supplier of the turbine-generators. The EPC contract for the balance of plant equipment and their integration with the power block was awarded to a consortium of Black & Veatch Corporation and Leighton Contractors (Philippines), Inc. Commissioning and testing of the first unit is expected to begin during the fourth quarter of 2014. The facility is expected to become fully operational within the first half of 2015, thereby providing Mindanao with the much-needed reliable, competitively-priced and environmentally-safe baseload power.

400 MW (net) Pulverised Coal-Fired Expansion Unit 3 in Pagbilao, Quezon. AboitizPower, through wholly owned subsidiary TLI, and TeaM (Philippines) Energy Corporation (TeaM Energy), whose shareholders are Marubeni Corporation (Marubeni) and Tokyo Electric Company (TEPCO), have formed Pagbilao Energy Corporation (PEC) to own Unit 3. The terms and conditions of the joint investment are finalized in a definitive shareholder agreement between the Parties. Unit 3 is located within the premises of the existing 735-MW (net) Pagbilao Units I and II Coal-Fired Thermal Power Plant in Quezon province.

Marubeni and TEPCO are shareholders of TeaM Energy Corporation, which owns and operates the Pagbilao Units I and II under a build-operate-transfer contract with the National Power Corporation (NPC). On the other hand, TLI is the Administrator of the Energy Conversion Agreement between TeaM Energy and NPC under an Independent Power Producer Administration Agreement with the Power Sector Assets and Liabilities Management Corporation (PSALM), which manages the assets and IPP contracts of NPC.

On April 25, 2014, PEC entered into a contract with a contractor consortium comprised of Mitsubishi Hitachi Power Systems Ltd, Daelim Industrial Co, Ltd, DESCO, Inc. and Daelim Philippines, Inc. to provide the engineering, procurement and construction (EPC) services required for the project. The Notice to Proceed with the works was issued to the consortium on April 30, 2014. The closing of the debt financing for the project is scheduled for May 7, 2014. Commercial operations of Unit 3 are targeted prior to year-end 2017.

300-MW (net) CFB Coal-Fired Project in Toledo City, Cebu. AboitizPower, through 100%-owned subsidiary, Therma Visayas, Inc. (TVI), is developing a 2 x 150-MW (net) coal-fired power project in Toledo City. The project site was acquired in December 2011. The Environmental Compliance Certificate for the project was issued in May 2013.

Technical specifications, contract drawings, contract conditions, and requests for EPC proposals were issued on July 15, 2013, with a submittal deadline of November 15, 2013, thereafter extended to November 29, 2013. The evaluation of the three EPC proposals received has been completed. EPC contract award to the winning bidder and issuance of a limited notice to proceed (NTP) with engineering design and site preparation construction is expected on or before May 31, 2014, with NTP with all EPC activities to follow by October 2014. Turnover of the first unit is targeted for year-end 2017, with the second following three months thereafter.

7 MW Tudaya 1 Hydro Power Plant Project. Hedcor Sibulan, Inc. (Hedcor Sibulan) started the construction of Tudaya 1 which is located upstream of the existing Sibulan A pondage in the third quarter of 2012. Tudaya 1 is now commercially operating after receiving the Certificate of Compliance from the Energy Regulatory Commission. The energy produced by Tudaya 1 is sold to Davao Light through the power supply agreement signed in 2007

6.6 MW Tudaya 2 Hydro Power Plant Project. AboitizPower's wholly owned subsidiary Hedcor Tudaya, Inc. (Hedcor Tudaya) has started the construction of Tudaya 2 located downstream of the existing Sibulan B. The project is now commercially operating. The plant, which is intended to sell through the Feed-in-tariff (FIT) mechanism, is now awaiting its FIT eligibility certificate. A composite team from the Department of Energy validated the eligibility of Tudaya 2 as a FIT-eligible plant.

14 MW Sabangan Hydro Power Plant Project. This involves the construction and operation of a hydropower plant facility in Mt. Province, in Northern Luzon. This project will be undertaken by a wholly owned subsidiary of AboitizPower, Hedcor Sabangan, Inc. The project, which is the first to be constructed in Mt. Province, will take approximately 24 months to construct and has commenced construction in May 2013.

68 MW Manolo Fortich Hydropower Plant Project. Hedcor Bukidnon, Inc. (Hedcor Bukidnon) is currently undertaking the feasibility studies of Manolo Fortich, which is composed of the 43 MW Manolo Fortich 1 and 25 MW Manolo Fortich 2. Hedcor Bukidnon has completed the MOA with the local government units. It is currently completing the permits and licenses until end of May 2014, after which a 24-month construction period will follow.

12 MW Hedcor Tamugan Hydro Power Plant Project. In 2010, wholly owned subsidiary, Hedcor Tamugan, Inc. (Hedcor Tamugan), has reached an agreement with the Davao City Water District on the use of the Tamugan river. Originally planned as a 27.5 MW run-of-river facility, Hedcor Tamugan submitted a new proposal, which involves the construction of a 12 MW hydropower plant. Hedcor Tamugan is waiting for the Davao City council to approve the project. Once approval and permits are secured, the two-year construction period will commence.

Other Greenfield and Brownfield developments. AboitizPower, together with its subsidiaries and associate company, is conducting feasibility studies for potential Greenfield and Brownfield projects.

- AboitizPower is actively exploring the viability of developing wind power projects and photovoltaic solar projects consistent with the Company's focus on environmental sustainability and diversified power generation technologies, among others.

- SNAP is continuing its focus on growth through Greenfield development with new opportunities being sought and 380 MW of projects undergoing feasibility studies.

  The company, in partnership with the National Irrigation Administration (NIA) commenced the rehabilitation and raising of the Maris dam. The project aims to rehabilitate the re-regulating Maris dam downstream of the Magat dam in order to modernize its operations and provide operational flexibility for both irrigation and power generation purposes.

  Additionally, SNAP secured renewable energy service contracts (RESC) from the Department of Energy at the close of 2013 for a twin mini-hydro facility project along the Maris Canal. Under Maris Main Canal 1 Project, a 6-MW hydroelectric power plant will be constructed at the Ramon, Isabela side of the irrigation canal while a 1.75-MW hydro

facility at the Alfonso Lista, Ifugao side will be developed under Maris Main Canal 2 Project. Both plants are "run-of-river-type" facilities that will make use of the same water that will flow through the canal for irrigation requirements.

- Hedcor is conducting feasibility studies for potential hydropower projects located in Luzon and Mindanao. Based on current findings, Hedcor sees the potential of building plants with capacities ranging from 20 MW to 60 MW. When the projects pass the evaluation stage and once permits are secured, the two-year construction period for the hydropower plant facilities will commence.

5. Participation in the Government's Privatization Program for its Power Assets

AboitizPower continues to closely evaluate the investment viability of the remaining power generation assets that PSALM intends to auction off.

AboitizPower is also keen on participating in PSALM's public auction for the Independent Power Producer Administrator (IPPA) contracts, which involves the transfer of the management and control of total energy output of power plants under contract with NPC to the IPPA.

Distribution Business

AboitizPower remains optimistic that it will realize modest growth on its existing distribution utilities. It continually seeks efficiency improvements in its operations to maintain healthy margins.

On December 13, 2006, the ERC issued the Rules for Setting Distribution Wheeling Rates (RDWR) for privately-owned distribution utilities entering PBR for the second and later entry points, setting out the manner in which this new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR replaces the Return on Rate Base (RORB) mechanism which has historically determined the distribution charges paid by customers. Under PBR, the distribution-related charges that distribution utilities can collect from customers over a 4-year regulatory period is set by reference to projected revenues which are reviewed and approved by the ERC and used by the ERC to determine a distribution utility's efficiency factor. For each year during the regulatory period, a distribution utility's distribution charges are adjusted upwards or downwards taking into consideration the utility's efficiency factor as against changes in overall consumer prices in the Philippines.

The ERC has also implemented a Performance Incentive Scheme whereby annual rate adjustments under PBR will take into consideration the ability of a distribution utility to meet or exceed service performance targets set by the ERC, such as the average duration of power outages, the average time of restoration to customers and the average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

Cotabato Light's 2nd Regulatory Period ended on March 31, 2013. A reset process should have been initiated 18 months prior to the start of the 3rd Regulatory Period covering April 1, 2013 to March 31, 2017. The reset process, however, has been delayed due to the issuance of an Issues Paper on the Implementation of PBR for Distribution Utilities under the RDWR by the ERC in 2013. This paper aims

to revisit various matters relating to the reset process. The ERC has solicited comments from industry participants and has been holding public consultations on the Issues Paper.

In March 2013, VECO and Davao Light filed their rate translation application for the fourth regulatory year from July 1, 2013 to June 30, 2014. The ERC set the distribution, supply and metering charges of Davao Light and VECO in its Decisions dated June 24, 2013. In the case of VECO, since its implementation of the rate translation in the third regulatory year was delayed by five months, recovery for the under-recovery was included in its MAP recalculation for the fourth regulatory year. A motion for reconsideration was filed by VECO on July 26, 2013 for the ERC to amend its rate design to fully achieve the correct Annual Revenue Requirement for the fourth regulatory year. The said motion was decided upon by the ERC in an Order dated December 9, 2013 (docketed January 16, 2014) modifying the approved rates in the previous Decision. The under-recoveries arising therefrom may be recovered in the next rate filing under the K-factor (correction factor) of the Maximum Average Price formula.

For Subic EnerZone Corporation's (SEZ) and San Fernando Electric Light & Power Co., Inc.'s (SFELAPCO) second regulatory year covering October 1, 2012 to September 30, 2013, SEZ was able to implement the new rate schedule in January 2013 while SFELAPCO's implementation began in April 2013. Consequently, the resulting under-recoveries from the lag starting from October 1, 2012 were included by SFELAPCO and SEZ as under-recoveries in its rate filings in the third regulatory year. The said applications are under the ERC's review as of year-end 2013.

Market and Industry Developments

1. Open Access and Retail Competition

Per EPIRA, the conditions for the commencement of the Open Access and Retail Competition are as follows:

(a) Establishment of the WESM;
(b) Approval of unbundled transmission and distribution wheeling charges;
(c) Initial implementation of the cross subsidy removal scheme;
(d) Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and
(e) Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPPA.

Under the Open Access and Retail Competition, an eligible contestable customer, which is defined as an end-user with a monthly average peak demand of at least 1 MW for the preceding 12 months, will have the option to source their electricity from eligible suppliers that have secured a Retail Electricity Supplier(RES) license from the ERC.

Commencement of Open Access

In June 2011, ERC declared December 26, 2011 as the Open Access Date to mark the commencement of the full operations of the competitive retail electricity market in Luzon and Visayas. However, after careful deliberation, the ERC acknowledged that not all the necessary rules, systems and infrastructures required for the implementation of the Open Access and Retail Competition have been put in place to meet the contemplated timetable for implementation. In October 2011, the ERC

announced the deferment of the Open Access Date. In September 2012, the ERC declared the start of Open Access on December 26, 2012. Open Access commercial operations under an interim development system have been implemented starting June 26, 2013.

The implementation of Open Access starting June 26, 2013 enabled AboitizPower to increase its contracted capacity through the delivery of power to affiliate and non-affiliate RES companies. AboitizPower has two wholly owned subsidiaries (i.e. AESI and AdventEnergy) that are licensed RES. Open Access allowed AESI and AdventEnergy to enter into contracts with the eligible contestable customers. Moreover, Open Access also facilitated AboitizPower to contract with other RES companies. Currently, AboitizPower has signed contracts equivalent to approximately 300 MW through its RES companies.

The ERC issued Resolution 22 Series of 2013

ERC issued revised licensing regulation for RES companies operating in the Retail Supply Segment last December 19, 2013. Items amended include the following:

- Restriction for Generator, IPPA and DU affiliates in securing license as a RES company;
- Transfer of live Retail Supply Contracts (RSCs) for RES with expired license to another licensed RES;
- Determination of full retail competition to be made by ERC not later than June 25, 2015;
- Contracted capacities of RES affiliates to be included in the grid limitations imposed on Generation Companies;
- End-user affiliate RES limited to supplying up to 50% of its total contestable customer affiliates;
- RES companies are limited to procuring up to 50% of its generation requirements from affiliate Generation Companies;
- Annual submission of 5-year Business Plan; and
- Submission of live Retail Supply Contracts for review by the ERC.

Since Resolution 22 Series of 2013 limits the retail suppliers and creates non-assurance of renewal of RES license for existing retailers, then the Retail Electricity Suppliers Association (RESA) challenged its legality at the Pasig RTC. Trial is currently on-going to clarify legality of such issuance.

2. Interim Mindanao Electricity Market (IMEM)

The Department of Energy (DOE) issued Department Circular No. 2013-05-0008 "Promulgating the Interim Mindanao Electricity Market Implementing Rules". Correspondingly, DOE also issued DC No. 2013-09-0020 approving pertinent IMEM Manuals.

The IMEM has the following features:

- Day-ahead pricing and scheduling;
- Zonal pricing
- IMEM is for available resource capacity after taking out bilateral contract quantities
- In-Day Market is for imbalances or deviation from day-ahead schedules only
- Deviations from day-ahead schedule will be subject to penalties and incentives

The IMEM started on December 3, 2013 and the first IMEM billing period ended on December 25, 2013. The first IMEM billing period has not been fully settled and succeeding billing periods were still not billed by PEMC. Since then, the IMEM has been under market intervention due to transmission issues effective March 14, 2014.

3. Price Hike Issue for November and December 2013 Billing Months

Due to the maintenance shutdown of Malampaya Natural Gas Field, the dispatch of Natural Gas-fired power plants were affected which caused the increase in the WESM prices in November and December 2013 Billing Months. The Supreme Court issued a Temporary Restraining Order (TRO) in GR Nos. 210245 and 201255, pegging the generation charge of Manila Electric Company (Meralco) to ₱5.6673/kWh. The TRO should have ended last February 2014, however was extended until April 2014. The extended TRO also includes the generators non-collection of the increase in generation charge.

Issuance of ERC Case No. 2014-021 MC

ERC issued ERC Case No. 2014-021 MC "In the Matter of the Prices in the Wholesale Electricity Spot Market (WESM) For the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the ongoing Investigation on the Allegation of Anti-Competitive Behavior and Possible Abuse of Market Power Committed by some WESM Participants" on March 3, 2014. The ERC issued an Order to VOID the WESM Prices in Luzon for November and December billing periods and declares the imposition of regulated prices in lieu thereof, in the exercise of its police power.

The ERC Order adjusted prices retroactively. Regulated prices are calculated based on the load weighted average of the ex-post nodal energy prices and meter quantity of the same day same interval that have not been administered from December 26, 2012 to September 25, 2013. The Order includes the availment of oil-based plants of additional compensation to cover their full Fuel and Variable O&M Costs. Several subsidiaries and affiliates of AboitizPower, most notably SNAP Magat, SNAP Benguet, APRI, and TLI, will be affected by the decision as they had exposure to the spot market during the November-December period either as purchasers (as in the case of TLI), or as sellers.

4. Reserve Market

The DOE issued Department Circular No. DC 2013-12-0027, "Declaring the Commercial Launch for the Trading of Ancillary Service in Luzon and Visayas under the Philippine Wholesale Electricity Spot Market" dated December 2, 2013. The said Department Circular sets the responsibility of the Philippine Electricity Market Corporation (PEMC), NGCP, NEA and all WESM Members with regards to the operation of the Reserve Market.

The trial operations started on February 26, 2014, and PEMC is still reviewing its results before certifying for market readiness. The Pricing and Cost Recovery Mechanism of the Reserve Market is still under review by the ERC under ERC Case No. 2007-004RC. The last hearing was on March 13, 2014.

The tentative launching of the Reserve Market is on May 26, 2014 for three (3) reserve categories, namely: Frequency Regulation, Contingency Reserve and Dispatchable Reserve. The Reserve Market will also include the scheduling of the ancillary services under ASPA with NGCP.

SIGNATURES

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

Issuer	**ABOITIZ POWER CORPORATION**
Principal Accounting Officer	**Cristina B. Beloria**
Signature and Title	**Vice President - Controller**
Date	MAY 15 2014
Corporate Secretary	**M. Jasmine S. Oporto**
Signature and Title	**Corporate Secretary**
Date	MAY 15 2014

Aboitiz Power Corporation and Subsidiaries

Unaudited Consolidated Financial Statements
As of March 31, 2014 (with Comparative Figures as of December 31, 2013)
and
For the Three Months Ended March 31, 2014 and 2013

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

(Unaudited)

	March 31, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	**₱34,601,203**	₱31,383,499
Trade and other receivables	**12,205,536**	13,037,999
Derivative assets	**20,350**	30,900
Inventories	**2,573,689**	2,841,387
Other current assets	**2,194,418**	1,736,966
Total Current Assets	**51,595,196**	49,030,751
Noncurrent Assets		
Investments in and advances to associates	**25,257,037**	25,330,356
Property, plant and equipment	**109,956,836**	106,754,751
Intangible asset - service concession rights	**3,676,769**	3,663,275
Investment property	**13,300**	13,300
Available-for-sale (AFS) investments - net of impairment of ₱5,254	**6,654**	6,654
Goodwill	**806,090**	806,090
Net pension assets	**9,537**	10,468
Deferred income tax assets	**311,218**	519,689
Other noncurrent assets	**8,560,481**	7,803,483
Total Noncurrent Assets	**148,597,922**	144,908,066
TOTAL ASSETS	**₱200,193,118**	₱193,938,817
LIABILITIES AND EQUITY		
Current Liabilities		
Current portions of:		
Long-term debts	**₱814,379**	₱832,877
Finance lease obligation	**780,905**	780,905
Long-term obligation on power distribution system	**40,000**	40,000
Trade and other payables	**13,653,837**	15,075,584
Derivative liabilities	**–**	23
Income tax payable	**663,415**	348,145
Total Current Liabilities	**15,952,536**	17,077,534

(Forward)

	March 31, 2014	December 31, 2013
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts	**₱25,177,343**	₱22,455,062
Finance lease obligation	**54,480,678**	54,421,858
Long-term obligation on power distribution system	**231,903**	223,865
Customers' deposits	**5,234,286**	5,138,155
Asset retirement obligation	**2,038,461**	2,008,669
Net pension liabilities	**449,316**	452,807
Deferred income tax liabilities	**1,196,554**	910,110
Total Noncurrent Liabilities	**88,808,541**	85,610,526
Total Liabilities	**104,761,077**	102,688,060
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	**88,187**	88,187
Cumulative translation adjustments	**(22,547)**	(24,511)
Share in cumulative translation adjustments of associates	**(313,315)**	(388,557)
Actuarial losses on defined benefit plans	**(694,746)**	(694,746)
Share in actuarial losses on defined benefit plans of associates	**(31,815)**	(31,815)
Acquisition of non-controlling interests	**(259,147)**	(259,147)
Retained earnings	**73,169,898**	68,991,854
	91,884,013	87,628,763
Non-controlling Interests	**3,548,028**	3,621,994
Total Equity	**95,432,041**	91,250,757
TOTAL LIABILITIES AND EQUITY	**₱200,193,118**	₱193,938,817

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)
(Unaudited)

	Jan- Mar 2014	Jan-Mar 2013
OPERATING REVENUES	**₱20,699,685**	₱13,304,289
OPERATING EXPENSES	**14,844,957**	8,419,948
FINANCIAL INCOME (EXPENSES)		
Interest income	**108,563**	166,138
Interest expense and other financing costs	**(1,690,968)**	(1,426,224)
	(1,582,405)	(1,260,086)
OTHER INCOME (EXPENSES)		
Share in net earnings of associates	**793,313**	960,121
Other income (expenses) – net	**206,486**	331,754
	999,799	1,291,875
INCOME BEFORE INCOME TAX	**5,272,122**	4,916,130
PROVISION FOR INCOME TAX	**837,356**	225,379
NET INCOME	**₱4,434,766**	₱4,690,751
ATTRIBUTABLE TO:		
Equity holders of the parent	**₱4,178,044**	₱4,594,828
Non-controlling interests	**256,722**	95,923
	₱4,434,766	₱4,690,751
EARNINGS PER COMMON SHARE		
Basic and diluted, for income for the year attributable to ordinary equity holders of the parent	**₱0.57**	₱0.62

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

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

(Unaudited)

	Jan-Mar 2014	Jan-Mar 2013
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	**₱4,178,044**	₱4,594,828
Non-controlling interests	**256,722**	95,923
	4,434,766	₱4,690,751
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Movement in cumulative translation adjustments	**1,964**	982
Share in movement in cumulative translation adjustment of associates	**75,242**	52,740
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	**77,206**	53,722
TOTAL COMPREHENSIVE INCOME	**₱4,511,972**	₱4,744,473
ATTRIBUTABLE TO:		
Equity holders of the parent	**₱4,255,250**	₱4,648,550
Non-controlling interests	**256,722**	95,923
	₱4,511,972	₱4,744,473

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED MARCH 31, 2014, DECEMBER 31, 2013 AND MARCH 31, 2013

(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	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 period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,178,044**	**256,722**	**4,434,766**
Other comprehensive income											
Movement in cumulative translation adjustments	**–**	**–**	**–**	**1,964**	**–**	**–**	**–**	**–**	**–**	**–**	**1,964**
Share in movement in cumulative translation adjustment of associates	**–**	**–**	**–**	**–**	**75,242**	**–**	**–**	**–**	**–**	**–**	**75,242**
Total comprehensive income for the period	**–**	**–**	**–**	**1,964**	**75,242**	**–**	**–**	**–**	**4,178,044**	**256,722**	**4,511,972**
Cash dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(330,667)**	**(330,667)**
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**
Balances at January 1, 2013	7,358,604	12,588,894	85,296	(169,845)	(847,589)	(402,108)	(91,474)	(259,147)	62,630,292	1,566,040	82,458,963
Net income for the period	–	–	–	–	–	–	–	–	4,594,828	95,923	4,690,751
Other comprehensive income											
Movement in cumulative translation adjustments	–	–	–	982	–	–	–	–	–	–	982
Share in movement in cumulative translation adjustment of associates	–	–	–	–	52,740	–	–	–	–	–	52,740
Total comprehensive income for the period	–	–	–	982	52,740	–	–	–	4,594,828	95,923	4,744,473
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(45,624)	(45,624)
Change in non-controlling interests	–	–	–	–	–	–	–	–	–	(1)	(1)
Balances at March 31, 2013	₱7,358,604	₱12,588,894	₱85,296	(₱168,863)	(₱794,849)	(₱402,108)	(₱91,474)	(₱259,147)	₱67,225,120	₱1,616,338	₱87,157,811

(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	Retained Earnings	Non-controlling Interests	Total
Balances at January 1, 2013	7,358,604	12,588,894	85,296	(169,8245)	(847,589)	(402,108)	(91,474)	(259,147)	62,630,292	1,566,040	82,458,963
Net income for the year	–	–	–	–	–	–	–	–	18,576,845	834,492	19,411,337
Other comprehensive income(loss)											
Share in net unrealized valuation gains on AFS investments of an associate	–	–	2,891	–	–	–	–	–	–	–	2,891
Movement in cumulative translation adjustments	–	–	–	145,334	–	–	–	–	–	–	145,334
Share in movement in cumulative translation adjustment of associates	–	–	–	–	459,032	–	–	–	–	–	459,032
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	(292,638)	–	–	–	(70,453)	(363,091)
Share in actuarial losses on defined benefit plans of associates	–	–	–	–	–	–	59,659	–	–	–	59,659
Total comprehensive income (loss) for the year	–	–	2,891	145,334	459,032	(292,638)	59,659	–	18,576,845	764,039	19,715,162
Cash dividends - ₱1 66 a share	–	–	–	–	–	–	–	–	(12,215,283)	–	(12,215,283)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(612,229)	(612,229)
Change in non-controlling interests	–	–	–	–	–	–	–	–	–	1,904,144	1,904,144
Balances at December 31, 2013	₱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

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

(Unaudited)

	Jan-Mar 2014	Jan-Mar 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱5,272,122**	₱4,916,130
Adjustments for:		
Interest expense and other financing costs	**1,690,968**	1,426,224
Depreciation and amortization	**1,058,421**	854,001
Net unrealized foreign exchange losses (gains)	**248,498**	(150,691)
Amortization of software	**5,151**	5,462
Unrealized fair valuation gains on derivatives	**257**	–
Loss (gain) on sale of property, plant and equipment	**234**	(5,215)
Share in net earnings of associates	**(793,313)**	(960,121)
Interest income	**(108,563)**	(166,138)
Operating income before working capital changes	**7,373,775**	5,919,652
Decrease (increase) in operating assets	**505,035**	(470,401)
Decrease in operating liabilities	**(1,197,213)**	(713,801)
Net cash generated from operations	**6,681,597**	4,735,450
Income and final taxes paid	**80,932**	(19,120)
Net cash flows from operating activities	**6,762,529**	4,716,330
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	**941,874**	630,007
Interest received	**112,173**	204,597
Additions to:		
Property, plant and equipment	**(4,237,651)**	(1,318,762)
Intangible assets - service concession rights	**(5,730)**	(39,241)
Increase in other noncurrent assets	**(785,880)**	427,470
Additional AFS investments	**–**	(200)
Net cash flows used in investing activities	**(3,975,214)**	(96,129)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (payment) of long-term debt	**2,679,482**	(8,114,709)
Cash dividends paid	**–**	(1,618,893)
Payment of finance lease obligation	**(1,728,343)**	(1,651,649)
Net payment of bank loans	**–**	(284,022)
Changes in non-controlling interests	**(330,667)**	(45,624)
Interest paid	**(205,575)**	(58,116)
Payments to a preferred shareholder of a subsidiary	**–**	(31,070)
Decrease in derivative liabilities	**–**	(5,860)
Net cash flows from (used in) financing activities	**414,897**	(11,809,943)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,202,212**	(7,189,742)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**15,492**	(9,240)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**31,383,499**	30,678,493
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱34,601,203**	₱23,479,511

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 2014	Jan-Mar 2013
Share in movement in cumulative translation adjustments of associates	**₱75,242**	₱52,740
Movement in cumulative translation adjustments	**1,964**	982
Other comprehensive income (loss) for the period – net of tax	**₱77,206**	₱53,722

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

	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**

	Jan-Mar 2013		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Share in movement in cumulative translation adjustments of associates	₱52,740	–	₱52,740
Movement in cumulative translation adjustments	982	–	982
Other comprehensive income (loss) for the period	₱53,722	–	₱53,722

C. Investments in and Advances to Associates

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

		% Ownership
	Nature of Business	**March 2014**
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**

	March 2014	December 2013
Acquisition cost:		
Balance at beginning of the year	**₱18,142,549**	₱18,700,407
Additions during the year	**–**	426,149
Step-acquisition to subsidiary	**–**	(667,078)
Disposals during the year	**–**	(316,929)
Balance at end of year	**18,142,549**	18,142,549
Accumulated equity in net earnings:		
Balance at beginning of the year	**7,668,703**	7,137,367
Share in net earnings	**793,313**	6,474,370
Dividends received or receivable	**(941,874)**	(5,203,981)
Step-acquisition to subsidiary	**–**	(739,053)
Balance at end of year	**7,520,142**	7,668,703
Share in cumulative translation adjustments of associates	**(313,315)**	(388,557)
Share in actuarial losses of associates	**(31,815)**	(31,815)
Share in unrealized valuation gain on AFS investment of an associate	**88,187**	88,187
	25,405,748	25,479,067
Less allowance for impairment loss	**568,125**	568,125
Investments in associates at equity	**24,837,623**	24,910,942
Advances to associates	**419,414**	419,414
	₱25,257,037	₱25,330,356

D. **Trade and Other Payables**

	March 2014	December 2013
Trade payables	**₱6,296,272**	₱8,451,070
DOSRI	**–**	–
Others	**7,357,565**	6,624,514
	₱13,653,837	₱15,075,584

E. Long-term Debts

	Interest Rate	March 2014	December 2013
Subsidiaries:			
TSI			
Financial institution - secured	4.50% - 5.12%	**19,169,126**	16,437,658
VECO			
Financial institution - unsecured	3.50% - 4.81%	**2,000,000**	2,000,000
Non-financial institution - secured	6.20%	**23,022**	48,010
LHC			
Financial institutions - secured	2.00% - 2.75%	**1,996,957**	1,978,240
DLP			
Financial institution - unsecured	3.50% - 4.81%	**1,500,000**	1,500,000
HI			
Financial institution - secured	5.25%	**873,000**	900,000
SEZ			
Financial institution - unsecured	5.61% - 6.06%	**452,000**	452,000
CLP			
Financial institution - unsecured	3.50% - 4.81%	**300,000**	300,000
		26,314,105	23,615,908
Less deferred financing costs		**322,383**	327,969
		25,991,722	23,287,939
Less current portion - net of deferred financing costs		**814,379**	832,877
		₱25,177,343	₱22,455,062

F. Debt Securities

As of March 31, 2014, there are no outstanding debt securities issued by the Group.

G. Earnings Per Common Share

Earnings per common share amounts were computed as follows:

		Jan-Mar 2014	Jan-Mar 2013
a.	Net income attributable to equity holders of the parent	**₱4,178,044**	₱4,594,828
b.	Weighted average number of common shares issued and outstanding	**7,358,604,307**	7,358,604,307
	Earnings per common share (a/b)	**₱0.57**	₱0.62

There are no dilutive potential common shares as of March 31, 2014 and 2013.

H. **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, 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	**₱3,679,118**	**₱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**	**₱19,321**	**₱1,063,572**

March 31, 2013

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱9,514,644	₱3,765,589	₱24,056	₱–	₱13,304,289
Inter-segment	373,652	–	85,396	(459,048)	–
Total Revenue	₱9,888,296	₱3,765,589	₱109,452	(₱459,048)	₱13,304,289
Segment Results	₱4,368,921	₱513,632	₱1,788	₱–	₱4,884,341
Unallocated corporate income - net	239,329	89,673	2,751	–	331,754
INCOME FROM OPERATIONS	4,608,250	603,305	4,539	–	5,216,095
Interest expense	(1,340,252)	(25,142)	(60,830)	–	(1,426,224)
Interest income	147,123	3,625	15,390	–	166,138
Share in net earnings of associates	706,172	263,178	4,635,979	(4,645,208)	960,121
Provision for income tax	(72,413)	(152,130)	(836)	–	(225,379)
NET INCOME	₱ 4,048,880	₱ 692,836	₱4,594,243	(₱4,645,208)	₱4,690,751
OTHER INFORMATION					
Investments in Associates	₱22,519,644	₱2,441,179	₱82,658,340	(₱82,258,482)	₱25,360,681
Segment Assets	₱137,919,812	₱10,188,825	₱85,918,350	(₱77,141,342)	₱156,885,645
Segment Liabilities	₱63,952,761	₱5,581,895	₱183,804	₱9,373	₱69,727,833
Depreciation and Amortization	₱715,963	₱138,282	₱5,218	₱–	₱859,463

I. **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, payable to preferred shareholder of a subsidiary, 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. 1.84% of the Group's debt will mature in less than one year as of March 31, 2014 (December 31, 2013: 1.93%). 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, 2014 based on contractual undiscounted payments:

March 31, 2014

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Trade and other payables	₱11,535,555	₱11,535,555	₱ 1,532	₱11,534,023	₱–	₱–
Customers' deposits	5,234,286	5,234,286	–	–	25,299	5,208,987
Finance lease obligation	55,261,583	99,694,447	–	6,611,212	29,655,864	63,427,371
Long-term obligation on power distribution system	271,903	560,000	–	40,000	200,000	320,000
Long-term debts	25,991,722	26,314,105	–	814,379	6,920,413	18,579,313
	₱98,295,049	₱143,338,393	₱1,532	₱18,999,594	₱36,801,596	₱87,535,671

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, 2014, 8% of the Group's long-term debt had floating interest rates ranging from 2.00% to 2.75%, and 92% have fixed rates ranging from 3.50% to 6.20%. As of December 31, 2013, 8% of the Group's long-term debt had floating interest rates ranging from 2.00% to 2.75%, and 92% have fixed rates ranging from 3.50% to 6.20%.

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, 2014

	<1 year	**1-5 years**	**>5 years**	**Total**
Floating rate - long-term debt	**₱264,857**	**₱1,222,230**	**₱498,878**	**₱1,985,965**

As of December 31, 2013

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱259,502	₱1,212,049	₱495,004	₱1,966,555

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, 2014	**200**	**(₱39,719)**
	(100)	**19,860**
December 31, 2013	200	(₱39,331)
	(100)	19,666

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.

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

	Jan-Mar 2014	Jan-Mar 2013
Finance lease obligation	**₱1,570,381**	₱1,194,414
Bank loans and long-term debt	**82,043**	217,312
Payable to a preferred shareholder of subsidiary	**–**	6,027
Customers' deposits	**715**	215
Other long-term obligations	**37,829**	8,256
	₱1,690,968	₱1,426,224

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 37% and 38% of total consolidated borrowings as of March 31, 2014 and December 31, 2013, respectively.

Presented below are the Group's foreign currency denominated financial assets and liabilities as of March 31, 2014 and December 31, 2013, translated to Philippine Peso:

	March 31, 2014		December 31, 2013	
	US Dollar	Philippine Peso equivalent[1]	US Dollar	Philippine Peso equivalent[2]
Loans and receivables:				
Cash and cash equivalents	**$50,309**	**₱2,254,598**	$54,134	₱464,932
Trade and other receivables	**1,772**	**79,415**	12,665	37,960
Total financial assets	**52,081**	**2,334,013**	66,799	502,892
Other financial liabilities:				
Trade and other payables	**903**	**40,484**	7,582	350,043
Long-term debt	**44,560**	**1,996,958**	44,560	2,054,968
Finance lease obligation	**624,883**	**28,004,132**	627,812	26,478,276
Total financial liabilities	**670,346**	**30,041,574**	679,954	28,883,287
Total net financial liabilities	**($618,265)**	**(₱27,707,561)**	($613,155)	(₱28,380,395)

[1] $1 = ₱44.815
[2] $1 = ₱44.395

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:

	Increase/ (decrease) in US Dollar	Effect on income before tax
March 31, 2014		
US Dollar denominated accounts	**US Dollar strengthens by 5%**	**(₱1,385,378)**
US Dollar denominated accounts	**US Dollar weakens by 5%**	**1,385,378**
December 31, 2013		
US Dollar denominated accounts	US Dollar strengthens by 5%	(₱1,361,050)
US Dollar denominated accounts	US Dollar weakens by 5%	1,361,050

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, 2014 and December 31, 2013 is summarized in the following table:

	March 2014	December 2013
Power distribution:		
Industrial	**₱2,620,734**	₱2,312,050
Residential	**939,332**	1,034,845
Commercial	**389,964**	473,117
City street lighting	**23,985**	33,782
Power generation:		
Power supply contracts	**6,148,087**	7,292,173
Spot market	**1,001,590**	607,740
	₱11,123,692	₱11,753,707

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, 2014 and December 31, 2013 are as follows:

	March 2014	December 2013
Long-term debt	**₱81,253,305**	₱78,490,702
Cash and cash equivalents	**(34,601,203)**	(31,383,499)
Net debt (a)	**46,652,102**	47,107,203
Equity	**95,432,041**	91,250,757
Equity and net debt (b)	**₱142,084,143**	₱138,357,960
Gearing ratio (a/b)	**32.83%**	34.05%

No changes were made in the objectives, policies or processes during the period ended March 31, 2014 and December 31, 2013.

J. **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, 2014		December 31, 2013	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Liabilities				
Finance lease obligation	**₱55,261,583**	**₱63,940,748**	₱55,202,763	₱69,828,432
Long-term debt - fixed rate	**24,005,757**	**24,458,891**	21,321,384	21,784,973
Long-term obligation on power distribution system	**271,903**	**415,074**	263,865	426,172
	₱79,539,243	**₱88,814,713**	₱76,788,012	₱92,039,577

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 year ended March 31, 2014 and December 31, 2013 are as follows:

	March 2014	December 2013
At beginning of year	**₱30,877**	(₱26,542)
Net changes in fair value of derivatives designated as accounting hedges	-	39,946
Net changes in fair value of derivatives not designated as accounting hedges	**(257)**	(18,853)
Fair value of settled instruments	**(10,270)**	36,326
At end of year	**₱20,350**	₱30,877

Fair Value Hierarchy
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, 2014, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

March 31, 2014

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Derivative asset	₱20,350	₱–	₱20,350	₱–
Disclosed at fair value:				
Finance lease obligation	63,940,748	–	–	63,940,748
Long-term debt - fixed rate	24,458,891	–	–	24,458,891
Long-term obligation on PDS	415,074	–	–	415,074

During the period ended March 31, 2014, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

K. **Disclosures**

1. **Corporate Information**

Aboitiz Power Corporation (the Company) and its subsidiaries (collectively referred to as "the Group") were incorporated in the Republic of the Philippines. The Company is a publicly-listed holding company of the entities engaged in power generation and power distribution in the Aboitiz Group. The registered office address of the Company is 32nd street, Bonifacio Global City, Taguig City, Metro Manila. As of March 31, 2014, 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).

2. **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, 2013 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, 2013.

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 otherwise indicated.

On May 6, 2014, the Audit Committee of the BOD 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, 2014. 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 32, *Financial Instruments: Presentation (Amendments) - Offsetting Financial Assets and Financial Liabilities*
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 36, *Impairment of Assets (Amendments) - Recoverable Amount Disclosures for Non-Financial Assets*
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)*
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

- *Philippine Interpretation IFRIC 21, Levies (IFRIC 21)*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon

reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

3. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table.

		Percentage of Ownership			
		March 31, 2014		December 31, 2013	
	Nature of Business	Direct	Indirect	Direct	Indirect
Aboitiz Energy Solutions, Inc.	Retail electricity supplier	100.00	–	100.00	–
Davao Light & Power Company, Inc.	Power distribution	99.93	–	99.93	–
Cotabato Light and Power Compan	Power distribution	99.94	–	99.94	–
Cotabato Ice Plant, Inc.	Manufacturing	–	100.00	–	100.00
Subic Enerzone Corporation	Power distribution	65.00	34.98	65.00	34.98
Mactan Enerzone Corporation	Power distribution	100.00	–	100.00	–
Balamban Enerzone Corporation	Power distribution	100.00	–	100.00	–
Visayan Electric Company	Power distribution	55.26	–	55.26	–
Aboitiz Renewables, Inc. and Subsidiaries	Power generation	100.00	–	100.00	–
AP Renewables, 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 Bokod, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Bukidnon, Inc.*	Power generation	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power generation	–	100.00	–	100.00
Hedcor Mabinay Inc.*	Power generation	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Sabangan, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power generation	–	100.00	–	100.00
Hedcor Tamugan, Inc.*	Power generation	–	100.00	–	100.00
Hedcor Tudaya, Inc.(HTI)	Power generation	–	100.00	–	100.00
Kookaburra Equity Ventures, Inc. *	Holding company	–	100.00	–	100.00
Luzon Hydro Corporation (LHC)	Power generation	–	100.00	–	100.00
Negron Cuadrado Geothermal Dev't., Inc.*	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.*	Power generation	–	100.00	–	100.00
Therma Power-Visayas, Inc.*	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.*	Power generation	–	100.00	–	100.00
Pagbilao Energy Corporation *	Power generation	–	100.00	–	100.00
Abovant Holdings, Inc.	Holding company	–	60.00	–	60.00
Cebu Private Power Corporation	Power generation	60.00	–	60.00	–
Prism Energy, Inc. *	Retail electricity supplier	60.00	–	60.00	–
Adventenergy, Inc.	Retail electricity supplier	100.00	–	100.00	–

**No commercial operations as of March 31, 2014.*

4. Seasonality of Interim Operations

Operations of hydropower plants are generally affected by climatic seasonality. Seasonality and location have a direct effect on the level of precipitation. In Luzon where rainy and summer seasons are more pronounced, higher rainfall is normally experienced in the months of June to September. As such, the hydropower plants located in Luzon operate at their

maximum capacity during this period. In contrast, the hydropower plants in Mindanao experience a well-distributed rainfall throughout the year, with a slightly better precipitation during the months of December to April. This 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. Material Events and Changes

a) Dividend declaration

On March 11, 2014, the BOD approved the declaration of regular cash dividends of ₱1.26 a share (₱9.27 billion) and special cash dividends of ₱0.40 a share (₱2.94 billion) to all stockholders of record as of March 25, 2014. The cash dividends are payable on April 22, 2014.

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.

6. 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.

7. 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 SBLC and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations.

L. Schedule of Relevant Financial Ratios

	Formula	March 2014	December 2013
LIQUIDITY RATIOS			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	**3.23**	2.87
Acid test ratio	$\frac{\text{Cash + Marketable securities + Accounts receivable + Other liquid assets}}{\text{Current liabilities}}$	**2.94**	2.60
SOLVENCY RATIOS			
Debt to equity ratio	$\frac{\text{Total liabilites}}{\text{Total equity}}$	**1.10**	1.13
Asset to equity ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	**2.10**	2.13
Net debt to equity ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total Equity}}$	**0.49**	0.52
Gearing ratio	$\frac{\text{Debt - Cash \& cash equivalents}}{\text{Total Equity + (Debt - Cash \& cash equivalents)}}$	**32.83%**	34.05%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	**n.a.**	5.04
PROFITABILITY RATIOS			
Operating margin	$\frac{\text{Operating profit}}{\text{Total revenues}}$	**n.a.**	27.03%
Return on equity	$\frac{\text{Net income after tax}}{\text{Total equity}}$	**n.a.**	26.50%

*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, 2014

	30 Days	60 Days	90 Days	Over 90 Days	Total
A/R - Trade:					
Power Distribution Customers	1,889,020	335,839	74,498	384,289	2,683,646
Power Generation Customers	4,146,483	361,301	159,654	2,482,239	7,149,677
Management & Other Services Customers	1,290,369	-	-	-	1,290,369
Sub-total - A/R - Trade	**7,325,872**	**697,140**	**234,152**	**2,866,528**	**11,123,692**
Less : Allowance for Doubful Accounts					**1,107,250**
Net Trade Receivables					**10,016,442**
A/R - Non Trade	**1,888,556**	**71,416**	**6,298**	**222,824**	**2,189,094**
Grand Total	**9,214,428**	**768,556**	**240,450**	**3,089,352**	**12,205,536**

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