COVER SHEET

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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)

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

G O V . M A N U E L A . C U E N C O A V E N U E ,

K A S A M B A G A N , C E B U C I T Y

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

ATTY. M. JASMINE S. OPORTO	032-411-1804
Contact Person	Company Telephone Number

	3rd Quarterly Report	3rd Monday of May
1 2 3 1	1 7 - Q	0 5 1 6
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

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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 **September 30, 2011**

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

   Cebu City, Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code

   Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City, Philippines **6000**

8. Issuer's telephone number, including area code **(032) 411-1800**

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
Common Stock P1 Par Value	**7,358,604,307**
Amount of Debt Outstanding	**84,422,068,000**

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 [ ] No [x]

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 Aboitiz Power Corporation 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 nine months of 2011 and 2010, and as of December 31, 2010:

Amounts in thousands except for financial ratios

	Sep. 30, 2011	Sep. 30, 2010	Dec. 31, 2010
SHARE IN NET EARNINGS OF ASSOCIATES	**5,846,283**	2,539,385	
EBITDA	**24,496,954**	25,158,545	
CASH FLOW GENERATED:			
Net cash flows from operating activities	**14,825,518**	19,441,677	
Net cash flows used in investing activities	**(1,762,676)**	(3,742,538)	
Net cash flows used in financing activities	**(8,880,159)**	(9,432,065)	
Net increase in cash & cash equivalents	**4,182,683**	6,267,074	
Cash & cash equivalents, beginning	**18,301,845**	3,814,906	
Cash & cash equivalents, end	**22,515,723**	10,293,017	
CURRENT RATIO	**3.28**		2.58
DEBT-TO-EQUITY RATIO	**1.28**		1.33

Share in net earnings of associates for the first nine months significantly increased compared to the same period last year. This is attributable to the contributions coming from the following associates:

- SN Aboitiz Power-Magat, Inc. ("SNAP-Magat") and SN Aboitiz Power-Benguet, Inc. ("SNAP-Benguet") has seen a tremendous boost to its ancillary revenues in the first nine months compared to the same period last year, owing to a significant rise in the acceptance of its nominated capacities to the National Grid Corporation of the Philippines ("NGCP").

- STEAG State Power, Inc. ("STEAG"), the operator of a 232-megawatt ("MW") coal plant in Misamis Oriental, managed to raise its earnings contribution this year due to higher revenues coming from the effects of an increase in a major index in its pricing formula. STEAG also booked a non-recurring gain on collections of prior years' cost reimbursements from the National Power Corporation ("NPC") relating to its fuel importation.

- Fresh earnings contributions from Cebu Energy Development Corporation ("CEDC") which started commercial operations on its 246 MW Coal Plant in Toledo, Cebu early this year.

- Visayan Electric Company, Inc. (“VECO”), posted higher earnings contribution from higher margins as a result of the implementation of its approved distribution tariff under the performance -based rate-setting regulation (“PBR”) scheme.

Current ratio improved from 2.58 to 3.28 due to the significant upsurge in current assets coupled with a decrease in current liabilities versus 2010 yearend levels. The growth in cash, trade receivables, and other current assets account for the increase in current assets.

Debt to equity ratio also improved from 1.33 as of December 2010 to 1.28 as of September 30, 2011. This is mainly due to the buildup of equity which exceeds the increase in liabilities.

Results of Operations

AboitizPower and its subsidiaries recognized a consolidated net income of ₱16.24 billion (“bn”) for the first nine months of 2011, a 12% decrease compared to the same period last year. This translated to earnings per share of ₱2.21.

The revaluation of consolidated dollar-denominated loans and placements resulted to a non-recurring loss of ₱37 million (“mn”). In addition, the Group logged ₱721 mn one-off gains, net of tax, during the nine-month period, as: (1) a subsidiary booked a ₱348 mn gain from revenue adjustments in the first quarter of 2011 resulting from a favorable ruling by the industry regulator regarding its tariff structure for its ancillary services contract; (2) a ₱179 mn gain from an associate company’s recovery of costs relating to its fuel importation in the second quarter of 2011; and (3) a ₱195 mn gain from a subsidiary’s reversal of a 2010 accrued expense relating to its IPPA contract in the third quarter of 2011. Adjusting for these one-offs, the Group’s core net income for the first nine months of 2011 amounted to ₱15.55 bn, down by 14% YoY.

Power Generation

The generation group continues to be the major contributor to the consolidated earnings, accounting for 95% or ₱15.34 bn for the first nine months of the year. Compared to same period of last year, the group’s contribution declined by 16%.

The lower income contribution of the group was the result of lower prices in the Wholesale Electricity Spot Market (“WESM”) and the decline in net generation. The average price of electricity in the WESM recorded a 48% YoY drop for the period. Demand for electricity remained relatively flat versus last year, while lesser outages for the period improved the supply of electricity. The combined effects of the demand and supply conditions during the period in review contributed to the softening of spot market prices vis-à-vis 2010 levels. The adverse impact on earnings, however, was tempered by the Company’s strategic move of lowering its exposure to the spot market, as it continued to sign additional bilateral contracts. On the other hand, the group’s net generation for the first nine months of 2011 registered a 2% YoY decline from 7,340 GWh to 7,175 GWh, as sales made through the spot market reduced brought about by the prevailing low prices in the WESM.

Therma Luzon, Inc. (“TLI”), the Independent Power Producer (IPP) administrator of the Pagbilao coal-fired power plant recorded a margin squeeze as fuel costs increased. The increase in coal prices during the period affected TLI as majority of its bilateral contracts are currently pegged to NPC Time-of-Use rates which does not allow for a full pass through of its fuel costs.

Partially cushioning the decline in the group's income contribution were the higher earnings of SNAP-Magat, SNAP-Benguet, STEAG, Therma Marine, Inc. ("TMI") and the full contributions of CEDC and Hedcor Sibulan, Inc. ("HSI").

For the period under review, ancillary service revenues of SNAP-Magat and SNAP-Benguet went up significantly over last year. This is mainly due to the higher water levels compared to that of last year which enhanced the plants capability to provide ancillary services, and higher level of accepted capacities by NGCP. The combined income contribution of these investments grew by ₱2.26 bn versus last year.

TMI increased its income contribution due to its one-time billing of a tariff rate adjustment amounting to ₱348 mn as a result of the Energy Regulatory Commission's ("ERC") approval in March 2011 of the motion for reconsideration it filed in 2010, relating to a component of its rate structure. STEAG's earnings growth is due to higher coal margins and its recognition of a nonrecurring gain on recovery of costs relating to fuel importations during the period under review vis-à-vis a nonrecurring loss it recorded last year.

Power Distribution

The income contribution of the distribution group grew by 41% from ₱1.24 bn to ₱1.75 bn. Gross margin on a group-wide basis improved 23% to ₱1.41/kWh. The improvement in gross margins is mainly due to the favorable effect of the implementation of the approved distribution tariffs under the PBR for Davao Light & Power Company, Inc. ("Davao Light"), VECO and Cotabato Light & Power Company ("Cotabato Light"). The marked decrease in Davao Light's operating expenses likewise contributed to the improved performance of the group. Total attributable electricity sales also improved by 3% YoY from 2,677 GWh to 2,764 GWh.

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

Consolidated Statements of Income

(January – September 2011 vs. January – September 2010)

Consolidated net income attributable to equity holders of the parent decreased by 12% from ₱18.54 bn for the first nine months of 2010 to ₱16.24 bn for the same period in 2011. The various movements in the revenue and expense items are shown below to account for the decrease:

Consolidated net income attributable to equity holders of the parent (January – September 2010)	₱ 18,538,376
Decrease in operating revenues	(4,500,479)
Increase in operating expenses	(55,955)
Increase in share in net earnings of associates	3,306,897
Increase in interest income	383,122
Increase in interest expense	(472,145)
Decrease in other income	(850,270)
Lower provision for taxes	25,288
Increase in income attributable to non-controlling interests	(139,159)
Total	(2,302,701)
Consolidated net income attributable to equity holders of the parent (January – September 2011)	**₱ 16,235,675**

Operating Revenues
(10% decrease from ₱45.90 bn to ₱41.40 bn)

TLI's revenues declined 18% or ₱3.11 bn. This is mainly due to a decrease in its average selling prices by 21% YoY as a result of the lower WESM prices during the period in review.

TMI saw a drop in revenues by 20% or ₱943 mn due to lower dispatch this year as the unusual amount of rainfall led to higher availability and dispatch of the hydropower plants in Mindanao.

AP Renewables, Inc.'s ("APRI") revenues decreased 12% or ₱1.44 bn. This is attributed to lower volume sold and a decline in its average selling price.

The decrease is partially offset by the ₱834 mn revenue growth from distribution subsidiaries.

Share in Net Earnings of Associates
(130% increase from ₱2.54 bn to ₱5.85 bn)

The increase is mainly from the combined income contribution of SNAP-Magat and SNAP-Benguet of ₱3.71 bn, which is up 126% or ₱2.26 bn versus same period last year, due to the significant increase in ancillary service revenues. In addition, the higher earnings of STEAG due to the increase in its coal margins and recognition of a one-off gain on cost reimbursements from NPC on fuel importations (versus nonrecurring finance costs booked last year) and fresh income contribution of CEDC, which started full commercial operations during the period under review, also augmented this growth in equity earnings of associates.

Interest Income
(387% increase from ₱99 mn to ₱482 mn)

Average cash balances held by the Company, as well as at its subsidiaries, were higher in the first nine months of 2011 compared to same period in 2010.

Interest Expense
(10% increase from ₱4.91 bn to ₱5.38 bn)

The increase is largely due to higher accreted interest on the finance lease obligation of TLI. Also adding to the interest expense for the period was the recognition of HSI's interest expense (a portion of interest expense was capitalized last year) from its loan obligation upon its commercial operations and interest expense of newly consolidated subsidiary Luzon Hydro Corporation ("LHC").

Other Income (Expenses)
(62% decrease from ₱1.38 bn to ₱532 mn)

The decrease is mainly due to lower foreign exchange (FX) gains of ₱71 mn for the period under review versus ₱1.27 bn for the same period last year. The significant decrease in unrealized FX gains was the result of restatement of the dollar-denominated debt of TLI which recorded a large FX gain in 2010 due to a higher peso appreciation last year.

Net Income Attributable to Non-controlling Interests

The 84% increase in net income attributable to minority interests was mainly due to the increase in Abovant Holdings, Inc. and Cebu Private Power Corporation's net income, 40% of which belongs to minority shareholders.

Consolidated Statements of Comprehensive Income
(January – September 2011 vs. January – September 2010)

Consolidated comprehensive income attributable to equity holders of the parent declined 12% YoY, from ₱18.44 bn to ₱15.04 bn. This was mainly due to the decline in the consolidated net income for the period under review.

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

Assets

Total assets as of September 30, 2011 increased by 12% versus total assets as of December 31, 2010. The major changes in the balance sheet accounts are discussed below:

a) Cash and cash equivalents increased by 23% (from ₱18.30 bn in December 2010 to ₱22.52 bn in September 2011). The increase in cash is mainly due to the unused proceeds from the issuance of corporate fixed rate notes amounting to ₱5.0 bn.

b) Trade and other receivables increased by 15% (from ₱6.81 bn in December 2010 to ₱7.83 bn in September 2011) resulting from higher collectibles of TMI from the Power Sector Assets and Liabilities Management Corporation (PSALM) on prior period billing differentials and output VAT. The increase, to a lesser extent, is due to the receivables of newly consolidated LHC.

c) The 6% (₱115 mn) increase in inventories is primarily due to higher cost of coal inventories of TLI, as global coal prices increased during the year.

d) Other current assets increased by 113% (from ₱959 mn in December 2010 to ₱2.05 bn in September 2011) mainly due to build-up of input VAT by power generation subsidiaries during the period in review.

e) The increase in property, plant and equipment is mostly due to the recent acquisition of four (4) barge-mounted floating power plants in May 2011 by Therma Mobile, Inc. ("Therma Mobile"), APRI's cost of plant rehabilitation and the capital expenditures of the distribution group. The increase is net of depreciation expense booked during the period under review.

f) As a result of the consolidation of the accounts of the newly qualified subsidiary, LHC, the intangible asset - service concession rights account went up by ₱3.62 bn. LHC's power plant is recorded as an intangible asset under IFRIC 12. The intangible asset is amortized using the straight-line method over 25 years, which is the service concession period, and assessed for impairment whenever there is an indication that the asset is impaired.

g) Deferred income tax assets increased by ₱76 mn mainly due to the consolidation of the deferred tax assets of newly qualified subsidiary, LHC.

h) Other noncurrent assets increased by 199% (from ₱1.23 bn in December 2010 to ₱3.67 bn in September 2011) mainly due to the ₱2.24 bn advance payments of Therma South Inc. ("Therma South") to suppliers for the purchase of turbines and other related costs to be used in the 300 MW coal-fired power plant in Davao.

Liabilities

Consolidated liabilities increased by 10% from ₱76.82 bn as of December 31, 2010 to ₱84.42 bn as of September 30, 2011.

a) Bank loans decreased (from ₱1.98 bn in December 2010 to ₱602 mn in September 2011). The 70% decrease resulted from AP Parent's payment of a short-term loan of ₱1.29 bn in the first half of the year, while various short-term loans were also availed by some of the distribution group subsidiaries to meet their working capital requirements.

b) Income tax payable increased by 80% (from ₱180 mn in December 2010 to ₱324 mn in September 2011), mainly due to the higher current tax provision of the Group.

c) Payable to preferred shareholders of a subsidiary inclusive of current portion decreased by ₱22 mn as payments to preferred shareholders were made in the first quarter of the year.

d) Long term debt increased by ₱5.58 bn mainly due to the following:

   - AP Parent's issuance of ₱5.0 bn corporate fixed rate notes.
   - First time consolidation of LHC's ₱641 mn long-term debt.
   - ₱565 mn new long-term loans availed by Subic Enerzone Corporation net of ₱119 mn pay down on old debt.

   The increase was partially offset by ₱488 mn of amortization payments on existing loans.

e) Deferred income tax liability increased due to TLI's recognition of corresponding income tax provision on the unrealized FX gains on TLI's dollar obligations to PSALM beyond its income tax holiday period.

f) The Finance Lease Obligation went up by ₱3.19 bn as currently accreted interest expenses on the finance lease obligation exceeds the amount of monthly payments made to PSALM.

Equity

Equity attributable to equity holders of the parent increased from ₱57.33 bn as of December 2010 to ₱64.23 bn as September 30, 2011. The increase is mainly due to:

- ₱6.52 bn increase in retained earnings as a result of the consolidated net income recorded for the period under review of ₱16.24 bn net of the dividend payment made in April 5, 2011 which totaled ₱9.71 bn; and
- ₱424 mn increase in acquisition of minority interest account as a result of the full take-over of LHC.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash and cash equivalents grew by 23% from ₱18.30 bn as of December 31, 2010 to ₱22.52 bn as of September 30, 2011.

The cash generated from the Group's operations continued to be the largest source of cash inflow for the period in review, although this falls behind the cash generated from operations for the same period last year by ₱4.62 bn, or a 24% decline due to lower net income recognized during the period.

The cash used in investing activities for the period of ₱1.76 bn is much lesser than the ₱3.74 bn net spending during the comparable period last year. The positive variance was mainly due to higher cash dividends received from associates. Dividends received during the period amounted to ₱3.84 bn vis-à-vis ₱572 mn for the same period in 2010. The Group also spent ₱5.17 bn for various fixed asset acquisitions in 2011.

The cash used in financing activities during the first nine months of 2011 amounted to ₱8.88 bn. This is 6% lower than cash used for the same period last year of ₱9.43 bn. Although cash dividends paid in 2011 is higher, this is offset by higher net debt availed versus last year's net debt repayment.

The above activities resulted to an upward change in cash of ₱4.21 bn.

Financial Ratios

Current ratio improved from 2.58 to 3.28 due to the significant upsurge in current assets coupled with a decrease in current liabilities versus 2010 year-end levels. The growth in cash, trade receivables, and other current assets account for the increase in current assets.

Debt to equity ratio also improved from 1.33 as of December 2010 to 1.28 as of September 30, 2011. This is mainly due to the buildup of equity which exceeds the increase in liabilities.

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

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

Power

Generation Business

1. Continued growth in the Company's attributable capacity

AboitizPower ended the first nine months of 2011 with a 15% YoY expansion in its total attributable generating capacity, from 2,030 MW to 2,344 MW. The capacity growth was mainly due to the following:

- Completion of the third unit (82 MW) of the 246 MW Cebu Coal-fired Power Plant

  The 3x82 MW coal-fired power plant in Toledo City, Cebu, which is a joint venture by AboitizPower with Metrobank Group's Global Business Power Corporation and Cebu-based Vivant Energy Corporation of the Garcia Group, was completed in 2010. Two units with a capacity of 82 MW each started generating and feeding power into the Visayas Grid in February and May 2010. Construction of the last unit was completed in the fourth quarter of 2010. AboitizPower has an effective participation of 26% in the project.

- Assumption of full ownership and control of LHC

  In May 2010, AboitizPower's 100% owned ARI assumed full ownership and control of LHC after meeting all conditions set out in a Memorandum of Agreement with Pacific Hydro Bakun, Inc. (PHBI). PHBI, a wholly owned subsidiary of Pacific Pty Ltd of Australia is the joint venture partner of ARI in LHC, which owns and operates the 70 MW Bakun run-of-river hydropower plant in Ilocos Sur. As a result of having full control and ownership in LHC, an additional 35 MW of attributable capacity was added to AboitizPower's portfolio of generation assets.

- Acquisition of the 242 MW Navotas power barges

  In May 2011, Therma Mobile, a wholly owned subsidiary of AboitizPower, acquired four (4) barge-mounted floating power plants including their respective operating facilities from Duracom Mobile Power Corporation and East Asia Diesel Power Corporation. Upon turnover, rehabilitation works commenced with completion estimated by the fourth quarter of 2011 for 123 MW and the balance estimated within the first semester of 2012.

- Completion of the rehabilitation project of the Ambuklao hydropower facility

  In September 2011, SNAP-Benguet was awarded by the ERC a Certificate of Compliance (COC) for the operation of the Ambuklao hydropower plant. The COC, which was approved on August 31, 2011, shall be effective for a period of five years. Upon the turnover of the facility by the PSALM to SNAP-Benguet in 2008, rehabilitation works were implemented on the Ambuklao hydropower facility. Its completion resulted to the increase in generation capacity, from 75 MW to 105 MW. AboitizPower has an effective stake of 50% in this facility.

Moving forward, AboitizPower's attributable generation capacity is seen to further increase as the following events take place:

- Completion of the rehabilitation of the Binga hydropower plant

Together with its partner SN Power Invest AS ("SN Power"), AboitizPower has commenced the programmed rehabilitation of the 100 MW Binga hydropower plant this year. The program involves the rehabilitation works on one unit per year. Completion of the rehabilitation of all four units is expected by 2014, which should enhance generating capacity by 20% to 120 MW.

- Completion of the rehabilitation of the Tiwi-Makban geothermal power facilities

  100%-owned APRI is currently undertaking the rehabilitation of several units of the Tiwi-Makban geothermal power plant complex. Improvements in the steam field and fluid gathering systems, combined with the successful completion of reservoir enhancements, rehabilitation work and the re-commissioning of heat recovery plants, could increase the plants' combined generation capacity to approximately 480 MW in 2012. The Tiwi-Makban geothermal power plants reached a combined peak generation capacity of 467 MW.

- Greenfield and Brownfield developments

  <u>600 MW Coal-fired Power Plant in Subic.</u> This is a project by Redondo Peninsula Energy, Inc. ("RP Energy"), a joint venture company formed by AboitizPower's wholly owned subsidiary Therma Power, Inc. ("TPI") and Taiwan Cogeneration International Corporation ("TCIC"). In June 2011, Meralco's wholly owned subsidiary, Meralco PowerGen Corporation ("MPGC"), announced its decision to acquire an ownership interest in the project. On July 22, 2011, MPGC, TPI and TCIC signed a shareholder agreement under which MPGC took a controlling interest in RP Energy, with TPI and TCIC owning the remaining stake equally. The project involves the construction and operation of a 2x300 MW circulating-fluidized-bed coal-fired power plant in the Subic Bay Freeport Zone. The Environmental Compliance Certificate (ECC) for a 300-MW project and the plan for common facilities have been amended to provide for a single high-efficiency 300-MW unit with reheat instead of two 150-MW units without reheat. Environmental studies and data collection are ongoing for the application for and issuance of an ECC for the second 300 MW unit. Site preparation works are ongoing while quotations from suppliers are being evaluated. Finalization of the EPC contract is expected to take place within the first quarter of 2012. Commercial operation of the first unit is expected to commence in the first quarter of 2015, with the second unit to follow 4-6 months thereafter.

  <u>300 MW Coal-fired Power Plant in Davao.</u> AboitizPower, through 100%-owned subsidiary Therma South, is planning to put up a 2x150 MW coal-fired power plant in Davao, which is the biggest load center in the island of Mindanao. Therma South acquired the project site in August 2011. The Department of Environment and Natural Resources issued the ECC for the project on September 9, 2011. The company is currently in the process of obtaining all necessary permits and government clearances in addition to the ECC. Construction is expected to commence within fourth quarter of 2011 and be completed 36 months thereafter.

  <u>400 MW Coal-fired Power Plant in Pagbilao, Quezon.</u> On September 27, 2011, AboitizPower signed a Memorandum of Understanding with Marubeni Corporation (Marubeni) to formalize their intention to jointly develop, construct and operate a coal-fired power plant with a capacity of approximately 400 MW. The proposed location will be within the premises of the existing 700 MW Pagbilao Unit I and II Coal Fired Thermal Power Plant in Quezon. The terms and conditions of the joint investment will be finalized in a definitive agreement to be agreed upon by the parties. Marubeni is part-owner of Team Energy Corporation, which owns and operates the Pagbilao Power Plant under a build-operate-transfer contract with the NPC. On the other hand, AboitizPower, through wholly owned subsidiary TLI, is the Independent Power Producer Administrator of the Pagbilao Power Plant under the IPP Administration Agreement with PSALM.

150 MW Coal-fired Power Plant in Misamis Oriental. On June 28, 2010, AboitizPower and its partners in STEAG, owner of the 232 MW coal plant located at the Phividec Industrial Estate in Villanueva, Misamis Oriental, firmed up their collective intention to develop a third unit of approximately 150 MW capacity adjacent to the existing facility. AboitizPower and its partners agreed to maintain their shareholdings in the same proportions in the new corporation to be established for the planned additional capacity. Certain essential facilities, such as the jetty, coal handling facilities and stockyards and the 138-kV interconnection with the Mindanao Grid are to be shared with the existing facilities. Depending on the interest the market demonstrates, the agreement contemplates the possibility of putting up another unit.

13.6 MW Tudaya 1 and 2 Hydro Power Plant Project. AboitizPower's wholly owned subsidiary Hedcor Tudaya, Inc. ("Hedcor Tudaya") will implement a greenfield project involving the construction of run-of-river power plants to be located in the upper and downstream sections of the existing Sibulan hydro power plants, tapping the same water resource, which are the Sibulan and Baroring rivers. The two plants will have a combined capacity of 13.6 MW. The project has been issued its ECC and endorsed by the local communities. Hedcor Tudaya is currently working on obtaining the water permits and awaiting finalization of its Renewable Energy (RE)contract. Target groundbreaking is by fourth quarter of 2011. Construction is estimated to be completed in 20 months.

11.5 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 (DCWD) 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 an 11.5 MW hydropower plant. Hedcor Tamugan is waiting for the 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.

- The SN Aboitiz Power Group (SNAP Group) is in the process of evaluating several hydropower plant projects. A Brownfield project is being evaluated for its Magat hydropower plant, which involves the construction of a pumped storage that could potentially increase its capacity by at least 90 MW. The SNAP Group is likewise evaluating several Greenfield hydropower plant projects that have at least 70 MW of potential capacity each.

- 100%-owned subsidiary Hedcor, Inc. ("Hedcor") is conducting feasibility studies for potential hydropower projects located in both Luzon and Mindanao. Based on current findings, Hedcor sees the potential of building 5-50 MW plants in the identified areas. The feasibility studies are expected to be completed in two years. Once permits are secured, another two years will be needed for the actual construction of the hydro facilities.

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

The Company 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 (IPP) Administrator contracts, which involves the transfer of the management and control of total energy output of power plants under contract with NPC to the IPP administrators.

Distribution Business

The Company 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.

The implementation of the rate adjustment formula for the distribution companies under the PBR is on a staggered basis. In addition to annual adjustments, PBR allows for rate adjustments in between the reset periods to address extraordinary circumstances. There is also a mandatory rate-setting every four years wherein possible adjustments to the rate take into account current situations.

Cotabato Light's 4-year regulatory period commenced on April 1, 2009 and ends on March 30, 2013. The company is currently in its third year of its regulatory period. Cotabato Light is the first distribution utility in the AboitizPower group to implement this incentive-based scheme.

VECO and Davao Light are part of the third group (Group C) of private distribution utilities that shifted to PBR, which implemented their approved rate structures in August 2010. Both companies implemented their approved rates for the second year of its regulatory period in August 2011.

San Fernando Electric Light and Power Co., Inc. (SFELAPCO) and Subic Enerzone Corporation (SEZ) are part of the fourth batch (Group D) of private distribution utilities to enter PBR. In July 2011, the ERC released the final determination on the applications for annual revenue requirements and performance incentive schemes for the regulatory period October 2011 to September 2015. Both SFELAPCO and SEZ are in the process of finalizing their respective rate design applications for the first regulatory year, which are expected to be implemented by October 2011.

Market and Industry Developments

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 IPP administrators.

In June 2011, the 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. 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. Eligible suppliers shall include the following:

- Generation companies that own, operate or control 30% or less of the installed generating capacity in a grid and/or 25% or less of the national installed capacity

- NPC-Independent Power Producers with respect to capacity which is not covered by contracts

- IPP Administrators with respect to the uncontracted energy which is subject to their administration and management

- RES duly licensed by the ERC

The implementation of the Open Access presents a big opportunity for AboitizPower, as it has two wholly owned subsidiaries (i.e. Aboitiz Energy Solutions, Inc. and Adventenergy, Inc.) that are licensed retail suppliers, which can enter into contracts with the eligible contestable customers. Moreover, AboitizPower's generation assets that have uncontracted capacity will be able to have direct access to eligible contestable customers through AboitizPower's licensed RES.

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	**Iker M. Aboitiz**
Signature and Title	**First Vice President/Chief Financial Officer/ Corporate Information Officer**
Date	NOV 14 2011
	M. Jasmine S. Oporto
Corporate Secretary	**M. Jasmine S. Oporto**
Signature and Title	**Corporate Secretary**
Date	NOV 14 2011

ABOITIZ POWER CORPORATION
AND SUBSIDIARIES

Unaudited Consolidated Financial Statements
As of September 30, 2011 (with Comparative Audited Consolidated
Figures as of December 31, 2010) and for the Nine Months Ended
September 30, 2011 and 2010

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	(Unaudited) September 30 2011	(Audited) December 31 2010
ASSETS		
Current Assets		
Cash and cash equivalents	**₱22,515,723**	₱18,301,845
Trade and other receivables	**7,832,478**	6,805,791
Derivative asset	**-**	7,670
Inventories	**1,960,355**	1,845,587
Other current assets	**2,045,610**	959,353
Total Current Assets	**34,354,166**	27,920,246
Noncurrent Assets		
Property, plant and equipment	**76,958,698**	74,291,764
Intangible asset - service concession rights	**4,559,606**	936,996
Investment property	**10,000**	10,000
Investments in and advances to associates	**29,402,963**	28,799,370
Available-for-sale (AFS) investments	**3,744**	3,744
Goodwill	**996,005**	996,005
Pension assets	**164,338**	173,442
Deferred income tax assets	**275,652**	199,822
Other noncurrent assets	**3,666,863**	1,225,483
Total Noncurrent Assets	**116,037,869**	106,636,626
TOTAL ASSETS	**₱150,392,035**	₱134,556,872
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	**₱602,400**	₱1,979,800
Trade and other payables	**6,763,515**	6,953,830
Derivative liabilities	**8,385**	323
Income tax payable	**323,750**	179,648
Current portion of:		
Long-term debts	**1,628,296**	555,495
Finance lease obligation	**1,100,640**	1,102,080
Long-term obligation on power distribution system	**40,000**	40,000
Payable to preferred shareholder of a subsidiary	**8,451**	13,797
Total Current Liabilities	**10,475,437**	10,824,973
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts	**20,654,669**	16,147,618
Finance lease obligation	**50,394,130**	47,203,036
Long-term obligation on power distribution system	**268,424**	242,559
Payable to preferred shareholder of a subsidiary	**45,975**	62,970
Customers' deposits	**2,109,176**	2,004,384
Pension liabilities	**27,834**	16,001
Deferred income tax liabilities	**446,423**	321,121
Total Noncurrent Liabilities	**73,946,631**	65,997,689
Total Liabilities	**84,422,068**	76,822,662
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
Cumulative translation adjustments	**(105,228)**	–
Share in cumulative translation adjustments of associates	**121,277**	57,922
Share in unrealized valuation gain on AFS investments of an associate	**78,118**	78,118
Acquisition of non-controlling interests	**164,507**	(259,147)
Retained earnings	**44,028,114**	37,505,797
	64,234,286	57,330,188
Non-controlling Interests	**1,735,681**	404,022
Total Equity	**65,969,967**	57,734,210
TOTAL LIABILITIES AND EQUITY	**₱150,392,035**	₱134,556,872

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

(Unaudited)

	JAN-SEP/11	JAN-SEP/10	**JUL-SEP/11**	JUL-SEP/10
OPERATING REVENUES	**₱41,396,722**	₱45,897,201	**₱14,129,393**	₱11,773,471
OPERATING EXPENSES	**25,750,049**	25,694,094	**8,665,608**	6,778,127
FINANCIAL INCOME (EXPENSES)				
Interest income	**482,218**	99,096	**188,212**	57,097
Interest expense and other financing costs	**(5,378,437)**	(4,906,292)	**(1,834,931)**	(1,638,506)
	10,750,454	15,395,911	**3,817,066**	3,413,935
OTHER INCOME (EXPENSES)				
Share in net earnings of associates	**5,846,282**	2,539,385	**2,207,317**	1,512,076
Others - net	**531,591**	1,381,861	**(10,584)**	1,331,734
	6,377,873	3,921,246	**2,196,733**	2,843,810
INCOME BEFORE INCOME TAX	**17,128,327**	19,317,157	**6,013,799**	6,257,745
PROVISION FOR INCOME TAX	**677,719**	703,007	**251,210**	393,832
NET INCOME	**₱16,450,608**	₱18,614,150	**₱5,762,589**	₱5,863,913
Attributable to:				
Equity holders of the parent	**₱16,235,675**	₱18,538,376	**₱5,641,336**	₱5,824,025
Non-controlling interests	**214,933**	75,774	**121,253**	39,888
	₱16,450,608	₱18,614,150	**₱5,762,589**	₱5,863,913
EARNINGS PER COMMON SHARE				
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	**₱2.21**	₱2.52	**₱0.77**	₱0.79

See Disclosure H for the computation of Earnings per Common Share,

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

(Unaudited)

	JAN-SEP/11	JAN-SEP/10	**JUL-SEP/11**	JUL-SEP/10
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	**₱16,235,675**	₱18,538,376	**₱5,641,336**	₱5,824,025
Non-controlling interests	**214,933**	75,774	**121,253**	39,888
	16,450,608	18,614,150	**5,762,589**	5,863,913
OTHER COMPREHENSIVE INCOME (LOSS)				
Movement in cumulative translation adjustments	**(105,228)**	–	**16,538**	–
Share in movement in cumulative translation adjustments of associates	**63,355**	(101,142)	**6,786**	(105,086)
Income tax effect on other comprehensive income	**–**	–	**–**	–
Total other comprehensive income, net of tax	**(41,873)**	(101,142)	**23,324**	(105,086)
TOTAL COMPREHENSIVE INCOME	**₱16,408,735**	₱18,513,008	**₱5,785,913**	₱5,758,827
Attributable to:				
Equity holders of the parent	**16,193,802**	18,437,234	**5,664,660**	5,718,939
Non-controlling interests	**214,933**	75,774	**121,253**	39,888
	₱16,408,735	₱18,513,008	**₱5,785,913**	₱5,758,827

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2011 AND DECEMBER 31, 2010, AND SEPTEMBER 30, 2010
(Amounts in Thousands, Except Dividends Per Share Amounts)

(Unaudited)

	Attributable to Equity Holders of the Parent								
	Capital Stock	Additional Paid-in-Capital	Share in Unrealized Gain on AFS of Associates	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Acquisition of Non-controlling Interests	Retained Earnings	Non-controlling Interests	Total
Balances at January 1, 2011	₱7,358,604	₱12,588,894	₱78,118	–	₱57,922	(₱259,147)	₱37,505,797	₱404,022	₱57,734,210
Share in cumulative translation adjustments of associates	–	–	–	–	63,355	–	–	–	63,355
Cumulative Translation Adjustments				(₱105,228)					(105,228)
Net income for the year	–	–	–	–	–	–	16,235,675	214,933	16,450,608
Total recognized income (loss) for the year	₱–	₱–	₱–	(₱105,228)	₱63,355	₱–	₱16,235,675	₱214,933	₱16,408,735
Cash Dividends - ₱1.32 a share	–	–	–	–	–	–	(9,713,358)	–	(9,713,358)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	(28,758)	(28,758)
Acquisition of non-controlling interests	–	–	–	–	–	423,654	–	–	423,654
Change in non-controlling interests	–	–	–	–	–	–	–	1,145,484	1,145,484
Balances at September 30, 2011	**₱7,358,604**	**₱12,588,894**	**₱78,118**	**(₱105,228)**	**₱121,277**	**₱164,507**	**₱44,028,114**	**₱1,735,681**	**₱65,969,967**
Balances at January 1, 2010	₱7,358,604	₱12,588,894	₱–	₱–	₱115,246	(₱259,147)	₱14,672,262	₱571,068	₱35,046,927
Share in cumulative translation adjustments of associates	–	–	–	–	(57,324)	–	–	–	(57,324)
Share in unrealized gain on AFS of associates	–	–	78,118	–	–	–	–	–	78,118
Net income for the year	–	–	–	–	–	–	25,041,116	41,914	25,083,030
Total recognized income (loss) for the year	₱–	₱–	₱78,118	–	(₱57,324)	₱–	₱25,041,116	₱41,914	₱25,103,824

	Capital Stock	Additional Paid-in-Capital	Share in Unrealized Gain on AFS of Associates	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Acquisition of Non-controlling Interests	Retained Earnings	Non-controlling Interests	Total
	Attributable to Equity Holders of the Parent								
Cash dividends - P0.30 a share	–	–	–	–	–	–	(2,207,581)	–	(2,207,581)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	(94,240)	(94,240)
Change in non-controlling interests	–	–	–	–	–	–	–	(114,720)	(114,720)
Balances at December 31, 2010	₱7,358,604	₱12,588,894	₱78,118	–	₱57,922	(₱259,147)	₱37,505,797	₱404,022	₱57,734,210
Balances at January 1, 2010	₱7,358,604	₱12,588,894	₱–	₱–	₱115,246	(₱259,147)	₱14,672,262	₱–	₱34,475,859
Share in cumulative translation adjustments of associates	–	–	–	–	–	–	–	–	–
Cash Dividends	–	–	–	–	–	–	(2,207,581)	–	(2,207,581)
Net income for the year	–	–	–	–	(101,142)	–	18,538,376	–	18,437,234
Total recognized income (loss) for the year	₱–	₱–	₱–	₱–	₱(101,142)	₱–	₱16,330,795	₱–	₱16,229,653
Change in non-controlling interests	–	–	–	–	–	–	–	–	–
Balances at September 30, 2010	₱7,358,604	₱12,588,894	₱–	₱–	₱14,104	(₱259,147)	₱31,003,057	₱–	₱50,705,512

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)
(Unaudited)

	JAN-SEP/11	JAN-SEP/10	**JUL-SEP/11**	JUL-SEP/10
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**₱17,128,327**	₱19,317,157	**₱6,013,799**	₱6,257,745
Adjustments for:				
Depreciation and amortization	**2,514,519**	2,180,284	**895,278**	745,598
Interest expense	**5,378,437**	4,906,292	**1,834,931**	1,638,506
Net unrealized foreign exchange losses (gains)	**(80,380)**	(1,469,098)	**204,837**	(1,299,870)
Unrealized fair valuation loss (gain) on derivatives	**7,922**	(13,348)	**670**	(3,130)
Gain on sale of property, plant and equipment	**(2,188)**	1,108	–	1,108
Interest income	**(482,218)**	(99,096)	**(188,212)**	(57,097)
Share in net earnings of associates	**(5,846,283)**	(2,539,385)	**(2,207,317)**	(1,512,075)
Operating income before working capital changes	**18,618,136**	22,283,914	**6,553,986**	5,770,785
Decrease (increase) in operating assets	**(3,233,331)**	(4,138,262)	**(647,677)**	1,579,355
Increase (decrease) in operating liabilities	**(236,622)**	1,814,057	**(2,116,180)**	(1,521,947)
Cash provided by operations	**15,148,183**	19,959,709	**3,790,129**	5,828,193
Income and final taxes paid	**(322,665)**	(518,032)	**(2,135)**	(77,525)
Net cash flows from operating activities	**14,825,518**	19,441,677	**3,787,994**	5,750,668
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash dividends received	**3,844,317**	571,685	**747,261**	40,466
Interest received	**435,914**	101,754	**156,342**	56,492
Additions to property, plant and equipment	**(4,973,354)**	(3,249,962)	**(1,304,751)**	(586,781)
Additional investments in associates	**(687,902)**	(942,934)	**(553,605)**	(278,540)
Additional advances to associates	**378,895**	(143,507)	**589,548**	(132,710)
Additions to intangible assets	**(196,979)**	(79,574)	**(119,868)**	(30,959)
Acquisition of subsidiary, net of cash	**(563,567)**	–	–	–
Net cash flows used in investing activities	**(1,762,676)**	(3,742,538)	**(485,073)**	(93 2,032)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds (payment) of bank loans	**(1,377,400)**	(5,828,100)	**(548,400)**	–
Proceeds from (payment of) long-term debt	**4,934,474**	701,876	**356,068**	(78,412)
Changes in non-controlling interests	**(548,718)**	(69,759)	**(28,074)**	(20,010)
Payments of finance lease obligation	**(820,865)**	(843,990)	**(271,750)**	(281,280)
Payments to preferred shareholders of a subsidiary	**(35,296)**	(31,070)	**(19,715)**	–
Interest paid	**(1,318,996)**	(1,155,790)	**(530,733)**	(335,125)
Decrease in derivative liabilities	–	2,349	–	3,485
Cash dividends paid	**(9,713,358)**	(2,207,581)	–	–
Net cash flows used in financing activities	**(8,880,159)**	(9,432,065)	**(1,042,604)**	(711,342)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,182,683**	6,267,074	**2,260,317**	4,107,294
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**31,195**	211,037	**35,051**	(58,062)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**18,301,845**	3,814,906	**20,220,355**	6,243,785
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**₱22,515,723**	₱10,293,017	**₱22,515,723**	₱10,293,017

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
FINANCIAL STATEMENTS SCHEDULES AND DISCLOSURES
(Amounts in Thousands, Except Share and Exchange Rate Data and When Otherwise Indicated)

A Components of Other Comprehensive Income (Loss)

	JAN-SEP/11	JAN-SEP/10
Share in movement in cumulative translation adjustments of associates	**₱63,355**	(₱101,142)
Movement in cumulative translation adjustments	**(105,228)**	-
Income tax relating to components of other comprehensive income	**-**	-
Other comprehensive income (loss) for the period	**(₱41,873)**	(₱101,142)

B Tax Effects Relating to Each Component of Other Comprehensive Income (Loss)

	JAN-SEP/11		
	Before-Tax Amount	**Tax (Expense) Benefit**	**Net-of-Tax Amount**
Share in movement in cumulative translation adjustments of associates	₱63,355	-	₱63,355
Movement in cumulative translation adjustments	(105,228)	-	(105,228)
Other comprehensive income (loss) for the period	**(₱41,873)**	-	**(₱41,873)**

	JAN-SEP/10		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Share in movement in cumulative translation adjustments of associates	(₱101,142)	-	(₱101,142)
Other comprehensive income (loss) for the period	(₱101,142)	-	(₱101,142)

C Investments in and Advances to Associates

	% Ownership	September 30, 2011	December 31, 2010
Acquisition cost:			
Manila Oslo Renewable Enterprise, Inc.	**83.33**	**₱9,371,663**	₱8,688,926
STEAG State Power, Inc.	**34.00**	**4,400,611**	4,400,611
Cebu Energy Development Corp.	**44.00**	**2,438,621**	2,438,621
Luzon Hydro Corporation*	**50.00**	**-**	1,048,251
East Asia Utilities Corporation	**50.00**	**217,551**	217,551
Hijos de F. Escano, Inc.	**46.73**	**858,070**	858,070
Visayan Electric Co., Inc.	**55.21**	**658,153**	657,505
Western Mindanao Power Corporation	**20.00**	**263,665**	263,665
Pampanga Energy Ventures, Inc.	**42.84**	**209,465**	209,465
San Fernando Electric Light & Power Co., Inc.	**43.78**	**180,864**	180,864
Southern Philippines Power Corporation	**20.00**	**152,587**	152,587
Redondo Peninsula Energy, Inc.	**25.00**	**5,000**	5,000
Others		**32,352**	27,836
Balance at end of period		**₱18,788,602**	₱19,148,952
Accumulated equity in net earnings:			
Balance at beginning of the year		**7,645,004**	4,966,140
Share in net earnings		**5,846,283**	4,625,883
Step acquisition to subsidiary		**(196,403)**	–
Effect of redemption of preferred shares by an associate		–	(353,662)
Cash dividends		**(3,844,317)**	(1,593,357)
Balance at end of period		**9,450,567**	7,645,004
		28,239,169	26,793,956
Share in net unrealized gains (losses) on available-for-sale securities & underwriting accounts of an associate		**78,118**	78,118
Share in cumulative translation adjustments of associates		**121,277**	57,922
Investments in associates at equity		**28,438,564**	26,929,996
Advances to associates - net		**964,399**	1,869,374
		₱29,402,963	₱28,799,370

Since May 2011, consolidated as a newly-qualified subsidiary.

D Trade and Other Payables

	September 30, 2011
Trade	**₱2,295,646**
DOSRI	–
Others	**4,467,869**
	₱6,763,515

E Bank Loans

	Interest Rate	Sep 30/11	Dec 31/10
Peso loans - financial institutions - unsecured	4.10% in 2011; 4.88% to 5.10% in 2010	**₱602,400**	₱1,979,800
		₱602,400	₱1,979,800

F Long-term Debts

	Interest Rate	Sep 30/11	Dec 31/10
Company			
Financial and non-financial institutions - unsecured			
Fixed rate notes	8.78%	**₱3,330,000**	₱3,330,000
Fixed rate notes	9.33%	**548,800**	548,800
Fixed rate notes	8.23%	**5,000,000**	5,000,000
Fixed rate notes	7.81%	**5,000,000**	–
Retail bonds - unsecured			
3-year bonds	8.00%	**705,580**	705,580
5-year bonds	8.70%	**2,294,420**	2,294,420
Hedcor Sibulan, Inc. (HSI)			
Financial institutions - secured	8.52%	**3,306,651**	3,570,000
Hedcor, Inc. (HI)			
Financial institution - secured	8.36%	**484,500**	549,100
Cebu Private Power Corporation			
Financial institutions - secured	3.22% - 6.40%	**480,000**	640,000
Subic Enerzone Corporation	3.68% in 2011;		
Financial institution – secured	8.26% in 2010	**565,000**	119,090
Luzon Hydro Corporation (LHC)			
Financial institution – secured	5.00%	**645,924**	–
Balamban Enerzone Corporation			
Financial institution - secured	7.50%	**70,000**	70,000
Total		**22,430,875**	16,826,990
Less deferred financing costs		**147,910**	123,877
		22,282,965	16,703,113
Less current portion		**1,628,296**	555,495
		₱20,654,669	₱16,147,618

G Debt Securities

The Company registered and issued P3 billion worth of peso denominated fixed rate retail bonds on April 30, 2009 under the following terms:

MATURITY	INTEREST RATE	AMOUNT
5-year bonds to mature on May 1, 2014	8.7%/p.a.	₱2,294,420
3-year bonds to mature on April 30, 2012	8.0%/p.a.	₱705,580

H Earnings Per Common Share

Earnings per common share amounts were computed as follows:

	JAN-SEP/11	JAN-SEP/10
a. Net income attributable to equity holders of the parent	**₱16,235,675**	₱18,538,376
b. Weighted average number of common shares issued and outstanding	**7,358,604,307**	7,358,604,307
c. Earnings per common share (a/b)	**₱2.21**	₱2.52

There are no dilutive potential common shares as of September 30, 2011 and 2010.

I Business 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 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 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 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.

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

September 30, 2011

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	**₱30,807,568**	**₱10,477,275**	**₱120,467**	**(₱8,588)**	**₱41,396,722**
Inter-segment	**817,557**	**–**	**194,473**	**(1,012,030)**	**–**
Total Revenue	**₱31,625,125**	**₱10,477,275**	**₱314,940**	**(₱1,020,618)**	**₱41,396,722**
Segment results	**₱14,351,175**	**₱1,306,351**	**(₱10,853)**	**₱–**	**₱15,646,673**
Unallocated corporate income - net	**162,758**	**370,786**	**(1,953)**	**–**	**531,591**
INCOME FROM OPERATIONS	**14,513,933**	**1,677,137**	**(12,806)**	**–**	**16,178,264**
Interest expense	**(4,380,314)**	**(68,172)**	**(929,951)**	**–**	**(5,378,437)**
Interest income	**209,297**	**12,047**	**260,874**	**–**	**482,218**
Share in net earnings of associates	**5,414,992**	**431,290**	**16,927,816**	**(16,927,816)**	**5,846,282**
Provision for (benefit from) income tax	**(217,901)**	**(453,871)**	**(5,947)**	**–**	**(677,719)**
NET INCOME	**₱15,540,007**	**₱1,598,431**	**₱16,239,986**	**(₱16,927,816)**	**₱16,450,608**
OTHER INFORMATION					
Investments in Associates	**₱25,795,192**	**₱2,526,735**	**₱57,689,961**	**(₱57,573,324)**	**₱28,438,564**
Segment Assets	**₱125,848,138**	**₱9,326,249**	**₱81,198,110**	**(₱65,980,462)**	**₱150,392,035**
Segment Liabilities	**₱75,202,955**	**₱4,851,279**	**₱17,079,824**	**(₱12,711,990)**	**₱84,422,068**
Depreciation and amortization	**₱2,222,293**	**₱277,538**	**₱14,688**	**₱–**	**₱2,514,519**

September 30, 2010

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱36,197,340	₱9,643,263	₱56,598	₱–	₱45,897,201
Inter-segment	429,557	–	167,184	(596,741)	–
Total Revenue	₱36,626,897	₱9,643,263	₱223,782	(₱596,741)	₱45,897,201
Segment results	₱19,371,495	₱812,321	₱19,291	₱–	₱20,203,107
Unallocated corporate income (expenses)	1,104,049	285,692	(7,880)	–	1,381,861
INCOME FROM OPERATIONS	20,475,544	1,098,013	11,411	–	21,584,968
Interest expense	(3,979,514)	(77,706)	(862,464)	13,392	(4,906,292)
Interest income	65,563	6,997	39,928	(13,392)	99,096
Share in net earnings of associates	2,214,977	324,408	19,378,210	(19,378,210)	2,539,385
Provision for income tax	(433,995)	(258,908)	(10,104)	–	(703,007)
NET INCOME	₱18,342,575	₱1,092,804	₱18,556,981	(₱19,378,210)	₱18,614,150
OTHER INFORMATION					
Investments in Associates	₱24,470,504	₱2,334,418	₱46,691,872	(₱46,691,872)	₱26,804,922
Segment Assets	₱110,657,601	₱8,485,465	₱64,814,874	(₱57,869,964)	₱126,087,976
Segment Liabilities	₱69,436,190	₱4,534,481	₱14,246,843	(₱13,405,326)	₱74,812,188
Depreciation and amortization	₱1,925.464	₱242,056	₱12,764	₱–	₱2,180,284

J 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, derivative asset, AFS investments, restricted cash, bank loans, trade and other payables, derivative liabilities, finance lease obligation, payable to preferred shareholder of a subsidiary, long-term obligation on power distribution system and customers' deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, foreign exchange risk, and credit risk. The BOD reviews and agrees policies for managing each of these risks and they are summarized below.

Liquidity risk
Liquidity risk is the risk of not meeting obligations as they become due because of an 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 dividend declarations.

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long term borrowings should mature in any twelve-month period. 3.60% of the Group's debt will mature in less than one year at September 30, 2011 (December 31, 2010: 2.49%). 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, trade and other receivables and derivative asset. Cash and cash equivalents can be withdrawn anytime while trade and other receivables are expected to be collected/realized within one year.

The following table summarizes the maturity profile of the Group's financial liabilities as of September 30, 2011 based on contractual undiscounted principal payments:

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Trade and other payables	**₱3,470,930**	**₱4,596,250**	₱849,201	₱3,747,049	₱–	₱–
Due to related parties	**130,916**	**398,185**	398,185	–	–	–
Customers' deposits	**2,109,176**	**2,109,176**	–	–	30,912	2,078,264
Bank loans	**602,400**	**602,400**	–	602,400	–	–
Payable to preferred shareholders of subsidiary	**54,426**	**124,280**	–	31,070	93,210	–
Finance lease obligation	**51,494,770**	**110,423,542**	–	1,100,640	29,480,642	79,842,260
Long-term obligation on power distribution system	**308,424**	**680,000**	–	40,000	200,000	440,000
Long-term debts	**22,282,965**	**22,430,875**	–	1,628,296	18,386,504	2,416,075
Derivative liabilities	**8,385**	**8,385**	–	8,385	–	–
Total	**₱80,462,392**	**₱141,373,093**	₱1,247,386	₱7,157,840	₱48,191,268	₱84,776,599

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 September 30, 2011, 5% of the Group's long term debt had floating interest rates ranging from 3.22% to 6.40% and 95% are with fixed rates ranging from 3.68% to 9.33%. As of December 31, 2010, 4% of the Group's long term debt had floating rates ranging from 6.68% to 6.71%, and 96% have fixed rates ranging from 7.50% to 9.33%.

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

As of September 30, 2011

	<1 year	1-5 years	>5 years	**Total**
Floating rate - long-term debt	₱535,101	₱584,300	₱–	₱1,119,401
Fixed rate - long-term debt	1,093,195	17,675,473	2,394,897	21,163,564
Floating rate - payable to preferred shareholders of subsidiaries	8,451	45,975	–	54,426
	₱1.636,747	₱18,305,748	₱2,394,897	₱22,337,391

As of December 31, 2010

	<1 year	1-5 years	>5 years	**Total**
Floating rate - long-term debt	₱213,333	₱423,100	₱–	₱636,433
Fixed rate - long-term debt	342,162	13,173,032	2,551,486	16,066,680
Floating rate - payable to preferred shareholders of subsidiaries	13,797	62,970	–	76,767
	₱569,292	₱13,659,102	₱2,551,486	₱16,779,880

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 noninterest-bearing and are therefore not subject to interest rate risk. The Group's derivative asset 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
September 30, 2011	100	(₱11,194)
	(50)	5,597
December 31, 2010	100	(6,364)
	(50)	3,182

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

The sources of interest expense and other finance charges recognized during the period are as follows:

	JAN-SEP/11	JAN-SEP/10
Bank loans and long-term debt	**₱1,267,447**	₱1,045,299
Customers' deposits	**4,235**	4,342
Finance lease obligation	**4,059,704**	3,814,541
Long-term obligation on power distribution system	**25,865**	26,324
Payable to preferred shareholder of subsidiary	**12,955**	14,855
Advances from related parties	**8,231**	931
	₱5,378,437	₱4,906,292

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 adverse impact of changes in foreign exchange rates on financial performance and cash flows. As of September 30, 2011 and December 31, 2010, foreign currency denominated borrowings account for 36% and 37%, respectively, of total consolidated borrowings.

Presented below are the Group's foreign currency denominated financial assets and liabilities as of September 30, 2011 and December 31, 2010, translated to Philippine Peso.

	September 30, 2011		**December 31, 2010**	
	US Dollar	Philippine Peso equivalent[1]	**US Dollar**	Philippine Peso equivalent[1]
Loans and receivables				
Cash	**US$27,695**	**₱1,210,818**	**US$8,019**	**₱351,553**
Trade and other receivables	–	–	**963**	**42,218**
Advances to associates	**1,400**	**61,208**	**13,402**	**587,544**
Restricted cash				
Total financial assets	**29,095**	**1,272,026**	**22,384**	**981,315**
Other financial liabilities				
Bank loans				
Trade and other payables	**4,350**	**190,182**	**5,682**	**249,099**
Long-term debt	**14,774**	**645,924**		
Finance lease obligation	**597,695**	**26,131,217**	**563,388**	**24,698,930**
Total financial liabilities	**616,819**	**26,967,323**	**569,070**	**24,948,029**
Net foreign currency denominated assets	**(US$587,724)**	**(₱25,695,297)**	**(US$546,686)**	**(₱23,966,714)**

[1] *$1 = ₱43.7200 ending Sep 30, 2011*
$1 = ₱43.8400 ending Dec 31, 2010

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 September 30, 2011.

	Increase/ (decrease) in US Dollar	Effect on income before tax
September 30, 2011		
US dollar denominated accounts	**US Dollar strengthens by 5%**	**(₱1,284,765)**
US dollar denominated accounts	**US Dollar weakens by 5%**	**1,284,765**

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.

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 of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to enter into transactions with credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The Group has no significant concentration risk to counterparty or group of counterparties.

Credit risk concentration of the Group's receivables according to the customer category as of September 30, 2011 and December 31, 2010 is summarized in the following table:

	September 30, 2011	December 31, 2010
Power distribution		
Residential	**₱180,727**	₱308,887
Commercial	**107,988**	164,468
Industrial	**496,569**	420,154
City street lighting	**3,101**	8,619
Power generation		
Spot market	**1,141,009**	1,702,790
Power supply contracts	**4,995,255**	3,669,286
	₱6,924,649	₱6,274,204

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 preferred shareholders of a subsidiary) less cash and short-term deposits and temporary interest bearing advances to related parties.

Certain entities within the Group that are registered with the BOI are required to raise a minimum amount of capital in order to avail of their registration incentives. As of September 30, 2011, these entities have complied with the requirement as applicable.

No changes were made in the objectives, policies or processes during the period ended September 30, 2011 and December 31, 2010.

Gearing ratios of the Group as of September 30, 2011 and December 31, 2010 are as follows:

	September 30, 2011	December 31, 2010
Bank loans	**₱602,400**	₱1,979,800
Long-term debt	**73,832,161**	65,084,996
Cash and cash equivalents	**(22,515,723)**	(18,301,845)
Net debt (a)	**51,918,838**	48,762,951
Equity	**65,969,967**	57,734,210
Equity and net debt (b)	**₱117,888,805**	₱106,497,161
Gearing ratio (a/b)	**44.04%**	45.79%

K Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements at other than fair values (amounts in millions).

	September 30, 2011		December 31, 2010	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
FINANCIAL ASSETS				
Cash and cash equivalents	**₱22,515,723**	**₱22,515,723**	₱18,301,845	₱18,301,845
Trade and other receivables	**7,832,478**	**7,832,478**	6,805,791	6,805,791
	30,348,201	**30,348,201**	25,107,636	25,107,636
Financial Assets at FVPL				
Derivative asset	–	–	7,670	7,670
AFS Financial Assets	**3,744**	**3,744**	3,744	3,744
	₱30,351,945	**₱30,351,945**	₱25,119,050	₱25,119,050
FINANCIAL LIABILITIES				
Other Financial Liabilities				
Bank loans	**₱602,400**	**₱602,400**	₱1,979,800	₱1,979,800
Trade and other payables				
Trade payables	**2,295,646**	**2,295,646**	2,063,082	2,063,082
Accrued expenses	**223,708**	**223,708**	706,692	706,692
Due to related parties	**130,916**	**130,916**	129,999	129,999
Other payables	**951,576**	**951,576**	1,978,260	1,978,260
Long-term debt				
Floating - long-term debt	**1,119,401**	**1,119,401**	636,433	636,433
Fixed rate - long-term debt	**21,163,564**	**22,888,074**	16,066,680	17,953,303
Floating rate - payable to preferred shareholder of a subsidiary	**54,426**	**54,426**	76,767	76,767
Fixed rate - finance lease obligation	**51,494,770**	**61,457,702**	48,305,116	58,268,048
	78,036,407	**89,723,849**	71,942,829	83,792,384
Customers' deposits	**2,109,176**	**2,109,176**	2,004,384	2,004,384
Long-term obligation on power distribution system	**308,424**	**428,220**	282,559	413,057
	80,454,007	**92,261,245**	74,229,772	86,209,825
Financial Liability at FVPL				
Derivative liabilities	**8,385**	**8,385**	323	323
	₱80,462,392	**₱92,269,630**	₱74,230,095	₱86,210,148

Fair Value of Financial Instruments

Fair value is defined as the amount for which an asset could be exchanged or a liability settled 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 an 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.

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 and trade and other payables approximate fair value due to the relatively short-term maturity of these financial instruments.

Derivative asset and liabilities. 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.

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.

Fair Value Hierarchy
The Company 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.

Only the Group's quoted AFS investments and derivative instruments, which are classified under Level 1 and Level 2, are measured and carried at fair value. During the reporting period ending September 30, 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

L **Disclosures**

1. Basis of Preparation, Statement of Compliance and Changes in Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for AFS investments, which are measured at fair value. The consolidated financial statements are presented in Philippine peso and all values are rounded to the nearest thousand except for earnings per share and exchange rates and otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies
The accounting policies followed in the preparation of the interim consolidated financial statements are consistent with those of the previous financial year except for the amended PFRS and Philippine Interpretations which the Group has adopted starting January 1, 2011. Adoption of the following amended and revised PFRS and Philippine Interpretations and improvements to PFRS did not have any significant impact to the Group's consolidated financial statements:

- *PAS 24 (Amended), Related Party Disclosures*
  The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.

- *PAS 32, Financial Instruments: Presentation (Amendment) - Classification of Rights Issues*
  The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- *PFRS 7, Financial Instruments: Disclosures (Amendments) - Disclosures - Transfers of Financial Assets*
  The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2010. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- *Philippine Interpretation IFRIC 14 (Amendment) - Prepayments of a Minimum Funding Requirement*
  The amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

- *Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments*
  Philippine Interpretation IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The Interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in the consolidated statement of income.

- *PFRS 9, Financial Instruments: Classification and Measurement*
  PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 (Financial Instruments: Recognition and Measurement) and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, hedge accounting and derecognition will be addressed.

  After evaluating the impact of PFRS 9 and considering that it will not have any significant effect on the Group's operating results or financial condition, management has decided not to early adopt the said standard. It will be implemented only when it becomes effective on January 1, 2013. Thus the interim consolidated financial statements do not reflect the impact of the said standard.

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

Operations of hydropower plants are generally affected by climatic seasonality. Seasonality and location have a direct effect on the level of precipitation. In Luzon where rainy and summer seasons are more pronounced, higher rainfall is normally experienced in the months of June to September. As such, the hydropower plants located in Luzon operate at their maximum capacity during this period. In contrast, the hydropower plants in Mindanao experience a well-distributed rainfall throughout the year, with a slightly better precipitation during the months of December to April. This precipitation seasonality greatly affects subsidiary companies HI, HSI 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.

3. <u>Material Events and Changes</u>

a) Acquisition of Navotas Power Barges

In May 2011, Therma Mobile Inc. (Therma Mobile), a subsidiary, acquired four (4) barge-mounted floating power plants including their respective operating facilities from Duracom Mobile Power Corporation and East Asia Diesel Power Corporation.

b) Issuance of 5 year Corporate Notes

On April 12, 2011 (issue date), the Company availed a total of P5 billion from the Notes Facility Agreement it signed with First Metro Investment Corporation as Issue Manager. The Notes Facility Agreement provided for the issuance of 5-year corporate notes in a private placement to not more than 19 institutional investors pursuant to Section 9.2 of the Securities Regulation Code (SRC) and Rule 9.2(2)(B) of the SRC Rules.

c) Aboitiz Renewables, Inc. (ARI) increased ownership in LHC

On March 31, 2011, ARI, a wholly owned subsidiary, signed a Memorandum of Agreement (MOA) with Pacific Hydro Bakun, Inc (PHBI) and LHC to give ARI 100% ownership over LHC. ARI will assume full ownership and control of LHC upon fulfillment of certain conditions in the MOA. The total transaction value is approximately US$30 million.

On May 10, 2011, all the conditions in the MOA were fulfilled. As a result, ARI assumed full ownership and control of LHC.

d) Dividend declaration

On March 3, 2011, the BOD approved the declaration of cash dividends of ₱1.32 a share (₱9.71 billion) to all stockholders of record as of March 17, 2011. The cash dividends are payable on April 5, 2011.

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

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

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

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

4. Material Adjustments

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

5. Contingencies

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

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

1) AGING OF RECEIVABLES
AS OF : September 30, 2011

	30 Days	60 Days	90 Days	Over 90 Days	Total
A/R - Trade:					
Power Distribution Customers	636,687	95,882	26,695	11,293	770,557
Power Generation Customers	3,797,558	403,355	167,195	1,768,156	6,136,264
Management & Other Services Customers	17,828	0	0	0	17,828
Sub-total - A/R - Trade	**4,452,073**	**499,237**	**193,890**	**1,779,449**	**6,924,649**
Less : Allowance for Doubful Accounts					**274,671**
Net Trade Receivables					**6,649,978**
A/R - Non Trade	**1,008,886**	**86,114**	**5,908**	**81,592**	**1,182,500**
Grand Total	**5,460,959**	**585,351**	**199,798**	**1,861,041**	**7,832,478**

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