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

1 2 / 3 1	**2nd Quarterly Report**	3rd Monday of May
Month *Day*	1 7 - Q	0 5 / 1 6
Fiscal Year	FORM TYPE	*Month* *Day*
		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

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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 June 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	85,249,820,933

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 the Company's 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 ("AP", "AboitizPower" or the "Company") and its subsidiaries (the Company and its subsidiaries are hereinafter collectively referred to as the "Group"):

1. **Share in Net Earnings of Associates.** Share in net earnings (losses) of associates represents the Group's share in the undistributed earnings or losses of its investees for each reporting period subsequent to acquisition of said investment, 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 six months of 2011 and 2010, and as of December 31, 2010:

Amounts in thousands except for financial ratios

	June 30, 2011	June 30, 2010	DEC. 31, 2010
SHARE IN NET EARNINGS OF ASSOCIATES	3,638,965	1,027,310	
EBITDA	15,732,635	17,827,546	
CASH FLOW GENERATED:			
Net cash flows from operating activities	11,053,012	13,691,009	
Net cash flows used in investing activities	(1,277,603)	(2,810,506)	
Net cash flows used in financing activities	(7,853,043)	(8,720,723)	
Net Increase in Cash & Cash Equivalents	1,922,366	2,159,780	
Cash & Cash Equivalents, Beginning	18,301,845	3,814,906	
Cash & Cash Equivalents, End	20,220,355	6,243,785	
CURRENT RATIO	2.72		2.58
DEBT-TO-EQUITY RATIO	1.44		1.33

In the first half of this year, the Company's Share in Net Earnings of Associates has 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) has seen a tremendous boost to its ancillary revenues in the first half of the year 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). Similarly, SN Aboitiz Power-Benguet, Inc. (SNAP-Benguet), which managed to sign up for an ancillary services contract with NGCP in the latter half of 2010, also enjoyed the benefits of this fresh revenue stream which augmented its bottom line for the first half of the year.

STEAG State Power, Inc. (STEAG), the operator of a 232-megawatt (MW) coal plant in Misamis Oriental, managed to increase 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.

The Company also started to recognize 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.

One of AboitizPower's associate distribution companies, Visayan Electric Company, Inc. (VECO), shifted to the performance-based rate-setting regulation (PBR) scheme in August 2010. This would have improved the gross margins of VECO but an under recovery occurred when both its purchased power and transmission costs increased which affected their gross margins for this period. This led to a minimal increase on its equity earnings contributions to the Company.

The Company's Current Ratio improved from 2.58x to 2.72x due to the significant increase in current assets by 18%, compared to the slight increase in Current Liabilities of 11%. The Company recorded higher Cash balances, Trade Receivables, and Other Current Assets which accounted for the increase in its Current Assets. All in all, the increase in the Company's Current Assets resulted to an overall improvement in the Current Ratio.

The Company's Debt to Equity ratio decreased from 1.33 as of December 2010 to its current ratio of 1.44. This is mainly due to an increase in long-term debt resulting from the ₱5 billion Fixed Rate Notes raised by AP Parent during the first half of 2011.

Financial Results of Operations

The Company recognized a net income of ₱10.69 bn in the first half of 2011. This translates to a 17% decrease compared to the same period last year. Net Income Attributable to Equity Holders of the Parent was at ₱10.59 bn or an earnings per share of ₱1.44.

The power generation business continues to be the major contributor to the Company's earnings, accounting for 91% or ₱ 10.17 bn in the first six months of the year. Compared to same period of last year, the group's contribution however declined by 20%.

The lower income contribution of the group was the result of two conditions which prevailed during the period in review as follows: the lower market prices in the Wholesale Electricity Spot Market (WESM) and the decline in net generation. The combined effects of the demand and supply conditions during this period attributed to the lower spot market prices as demand for electricity remained flat versus last year, while lesser outages for the period improved the supply of electricity. This resulted to a 7% drop in total energy sold from 4,984 GWh in the first half of 2010 to 4,640 GWh in 2011. 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.

Therma Luzon Inc. (TLI), a wholly-owned subsidiary of the Company and the 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's Time-of-Use rates which does not allow for a full pass through of its fuel costs.

Revenues from ancillary services provided by the Company's merchant hydro plants cushioned the decline of the group's bottom line figures. This revenue stream grew significantly over the past year as water levels elevated compared to that of last year. This allowed SNAP-Magat to increase its nominated capacities to NGCP, while SNAP-Benguet also managed to maximize its newly signed ancillary service contract with NGCP. The combined income contribution from both investments increased by ₱2.17 bn versus last year.

Providing fresh contributions to the Generation Group's net income are revenues generated from the following: completion of Hedcor Sibulan, a hydro power plant in Davao; the full commercial operation of Cebu Energy Development Corporation (CEDC), a coal fired power plant in Toledo City, Cebu; and the full consolidation of the contributions from Luzon Hydro Corporation (LHC) which the Company assumed full ownership and control in May 2011.

Therma Marine, Inc. (TMI), a wholly-owned subsidiary of the Company, increased its income contribution due to its one-time billing of a tariff rate adjustment amounting to ₱338 million (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 also recognized a non-recurring gain on cost reimbursements relating to fuel importations. The combined effect of both transactions added ₱526.85 mn to the Generation Group's income contribution.

The income contribution of the Distribution Group grew by 74% as a result of the improved gross margins of the two large distribution utilities of the Company, Davao Light & Power Company, Inc. (Davao Light) and VECO. Both companies were part of the fourth batch (Group D) of private distribution utilities to enter PBR. The shift to the PBR scheme in August 2010 resulted to a 39% year on year improvement on gross margins compared to the first semester of 2010. The marked decrease in Davao Light's operating expenses likewise contributed to the improved performance of the group. Electricity sales also improved by 3% from 1,753 GWh in the six months of last year to this year's 1,814 GWh.

1. INCOME STATEMENTS (January – June 2011 vs. January –June 2010)

Consolidated Net Income Attributable to Equity Holders of the Parent decreased by 17% from ₱12.71 bn in the first six months of 2010 to ₱10.59 bn for the same period in 2011. The various movements in the Revenue and Expense items are shown below to account for the decrease in the Consolidated Net income Attributable to Equity Holders of the Parent:

Consolidated Net Income Attributable to Equity Holders of the Parent for the six months of 2010	12,714,351
Decrease in Operating Revenues	(6,856.401)
Decrease in Operating Expenses	1,831,526
Increase in Share in Net Earnings of Associates	2,611,655
Increase in Interest Income	252,004
Increase in Interest Expenses	(275,717)
Increase in Other Income	492,048
Higher Provision for Taxes	(117,334)

Increase in Minority Interests	(57,794)
Total	(2,120,013)
Consolidated Net Income Attributable to Equity Holders of the Parent for the six months of 2011	10,594,338

OPERATING REVENUES

TLI's average selling prices decreased by 25% compared to last year as a result of the lower WESM prices during the period in review. This in turn led to the decline in TLI's revenue by 30% or equivalent to ₱4.07 bn.

Another Therma Power subsidiary, TMI saw a decrease in Operating Revenues by 42% or ₱1.74 bn due to lower dispatch this year as the unusual amount of rainfall led to higher availability and dispatch of the hydropower plants in Mindanao.

The 16% drop in AP Renewables, Inc.'s (APRI) revenues account for the remaining decrease in the Company's operating revenues account.

OPERATING EXPENSES

The decline in Operating Expenses is largely attributable to the drop in the operating expenses of TMI, Davao Light, Cotabato Light and CPPC. However, the higher costs of coal at TLI substantially set-off this decline, bringing down the Operating Expenses to 10%.

SHARE IN NET EARNINGS FROM ASSOCIATES

The increase in the Share in Net Earnings from Associates is mainly from the two major hydro facilities in the Company's portfolio. SNAP-Magat and SNAP-Benguet managed to have a combined income contribution of ₱2.31 bn in the first half of the year as elevated water levels led to higher ancillary nominations of both plants to NPC. Ancilllary Revenues grew by 285% or ₱3.8 bn, while Accepted and Billed Capacities were up by 494% year-on-year.

STEAG managed to improve its contributions by 70% in the first half of this year as a result of the major index in its pricing formula and one-off gain on cost reimbursements from NPC.

Abovant Holdings, Inc.'s (Abovant) fresh income contributions from CEDC's commercial operations resulted to an increase in the Share in Net Earnings from Associates.

VECO, which shifted to the PBR scheme in August 2010, ended up with lower margins as a result of under recoveries in purchased power and transmission costs. The under recovery offset most of the positive effects of the shift to PBR.

INTEREST INCOME

Average cash balances held by the Company as well as at its subsidiaries were higher in the first half of 2011 compared to same period in 2010. The Company started off with a cash balance of ₱18.30 bn at the beginning of 2011. Cash and cash equivalents has since then grew by 10% or ₱20.22 bn as of June 30 2011. All this led to higher interest earned in the first semester of the year.

INTEREST EXPENSE

Interest Expense for the period increased by 8% or P159.83 mn largely due to the increase from the accreted interest on the finance lease obligation of TLI. The finance lease obligation was recorded by taking incremental borrowing rates to recognize the asset and liability portion of the long-term obligation. Correspondingly, the discount determined at the inception of the IPP Agreement was amortized and recognized as interest expense.

Also adding to the interest expense for the period was the recognition of Hedcor Sibulan's interest expense from its loan obligation upon its commercial operations. This led to a year-on-year increase in interest expense of ₱114 mn.

OTHER INCOME (CHARGES)

Other Income increased by 982% as a result of TLI's recognition of unrealized forex gains on its dollar denominated finance lease obligations, a stark contrast to the Forex Loss recorded by TLI for the same period last year. The significant increase in unrealized forex gains was mainly due to a stronger peso to US dollar exchange rate during the period.

PROVISION FOR INCOME TAXES

The increase in the provision for income tax is mainly due to Davao Light's recognition of higher provision for taxes to match the higher taxable income recorded this year.

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

Assets

Total Assets increased by 7% as of ending June 2011 versus total assets ending December 2010. The major changes in the balance sheet accounts are discussed below:

a) Cash and Cash Equivalents increased by 10% from ₱18.30 bn to ₱20.22 bn. The increase in cash is mainly attributable to the cash generated by the group's operations. Cash was used during the period to fund the Company's new investments as well as to pay ₱9.71 bn dividend payment to the Company's shareholders in the second quarter of this year. Cash was also augmented by proceeds from the issuance of peso-denominated corporate fixed rate notes ("Notes") in the aggregate amount of ₱5.0 bn.

b) Trade and Other Receivables have increased due to higher Trade Receivables as of June 2011 mainly due to higher collectibles of TMI from Power Sector Assets and Liabilities Management Corporation (PSALM) on prior period billing differentials and Output VAT. The increase, to a lesser extent, is attributable also to the consolidation of the receivables at the newly consolidated LHC.

c) The increase in Inventories is primarily due to higher cost of coal inventories of TLI, as global coal prices increased during the year compared to last year.

d) Other Current Assets increased as a result of a deposit made to a major supplier of Therma South, Inc. The balance of the increase in Other Current Assets arose from the higher input VAT receivables which were recognized by APRI and Hedcor Sibulan during the period in review.

e) The increase in the Company's Property Plant and Equipment is mostly due to the recent acquisition of TMI of four (4) barge-mounted power plants including the auxiliary and related facilities and equipment, accessories, buildings, docking facilities, road network, associated transmission lines and other components, from Duracom Mobile Power Corporation and East Asia Diesel Power Corporation in May 2011.

f) As a result of the consolidation of the accounts of the newly qualified subsidiary, LHC, the Company's Intangible Asset-Service Concession Rights account went up by P3.721 bn Under LHC's books, this intangible asset is amortized using the straight-line method over the estimated useful economic life of 25 years, which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

g) Deferred income tax asset increased by ₱85 mn mainly due to the consolidation of the deferred tax assets of newly qualified subsidiary, LHC. This deferred income tax asset is due to the translation difference of certain non-monetary asset.

h) The Other Noncurrent Asset account decreased by 27% due to the reclassification of input VAT receivables of Hedcor Sibulan into Current Asset.

Liabilities

Consolidated Liabilities increased by 11% from ₱76.82 bn to ₱85.25 bn at the end of June 2011.

a) Bank loans decreased from ₱1.98 bn at the end of 2010 to ₱1.15 bn as of June 2011. The 42% 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 consolidated short term loans were also availed by certain Distribution Utilities to meet their working capital requirements.

b) Trade and Other Payables increased due to higher accrued expenses booked at TLI primarily due to higher coal costs. This account also increased due to the consolidation of the Trade payables of LHC.

c) Payable to preferred shareholders decreased by ₱22.43 mn as payments to preferred shareholders were made in the first quarter of the year.

d) Long Term Debt increased by ₱5.51 bn mainly due to AP Parent's issuance of peso-denominated corporate fixed rate notes in the amount of ₱5.0 bn. The recognition of LHC's long-term debt also contributed to the increase in the Long Term Debt of the Company.

e) Deferred Income Tax Liability increased due to the effects of the unrealized foreign exchange gains on TLI's dollar obligations to PSALM beyond its income tax holiday period.

f) The Finance Lease Obligation went up by ₱1.85 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 ₱58.57 bn as of year to date. This increase is mainly due to the Net Income recorded for the period of ₱10.59 bn and after dividend payment made in April 5, 2011 which totaled ₱9.71 bn. The amount of dividend paid translates to a ₱1.32 per share which was paid out to all shareholders of record as of

March 17, 2011.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash and cash equivalents grew by 10% from ₱18.30 bn ending December 2010 to ₱20.22 bn in June 2011.

The cash generated from the Company's operations continued to be the largest source of cash inflow for the period in review, although this falls behind last year's cash generated from operations by 19% due to lower net income recognized during the period.

The Company spent around ₱3.67 bn for various acquisitions and investments in the first semester. The acquisition of the power barges in May of this year and the on-going rehabilitation for Ambuklao were the major investment activities of the Company. Dividends received during the period amounted to ₱3.1 bn.

The Company spent ₱7.85 bn in financing activities in the first six months of 2011. This is net of the cash inflows relating to the issuance of ₱5 bn in Fixed Rate Notes. The major outflow was for the payment of dividends to shareholders in April of this year in the amount of ₱9.71 bn. Other financing related cash outflows were made during the period for payment of bank loans, interests and finance lease obligations, as well as payments made to non-controlling interests.

The above activities resulted to an upward change in cash of P 1.92 bn or a 10% increase from ₱18.30 bn as of December 31, 2010 to ₱20.22 bn as of June 30 2011.

Financial Ratios

Current ratio improved from 2.58x to 2.72x as Current Assets increased as a result of higher cash held by the Company as well as higher Trade Receivables and Other Current Assets.

During the period in review, the debt to equity ratio of the Company went up from 1.33 at the end of 2010 to 1.44 at the end of the second quarter 2011 as a result of the increase in total debt by 11%.

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, AP 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 AP and its investee companies. These developments are as follows:

Power

Generation Business

1. Continued growth in the Company's attributable capacity

AP ended the first semester of 2011 with a 16% YoY expansion in its total attributable generating capacity, from 2,014 MW to 2,331 MW. The capacity growth was mainly due to the following:

- Completion of Greenfield power plant developments

  16.5 MW Plant A of Hedcor Sibulan's 42.5 MW Hydro Power Plant Project. This is one of the two cascading hydropower generating facilities built in Barangay Sibulan, Sta. Cruz, Davao del Sur by AP's 100% owned subsidiary Hedcor Sibulan. Construction was completed in July 2010. This facility, together with the 26 MW Plant B that commenced operations in May 2010, taps the Sibulan and Baroring rivers. Hedcor Sibulan has a 12-year Power Supply Agreement with Davao Light.

  82MW (or the third unit) 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 AP 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 have 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. AP has an effective participation of 26% in the project.

- Assumption of full ownership and control of LHC

  In May 2011, AP's 100% owned Aboitiz Renewables, Inc. (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 AP's portfolio of generation assets.

- Acquisition of the 242 MW Navotas power barges

  In May 2011, Therma Mobile, Inc., a wholly owned subsidiary of AP, 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 will commence with completion estimated by the fourth quarter of 2011 for 123 MW and the balance within the first semester of 2012.

- Partial completion of the rehabilitation project of the Ambuklao hydropower facility

  In June 2011, SNAP-Benguet commenced the operations of one of the three units of the Ambuklao Hydroelectric Power Plant located in Bokod, Benguet. This unit, which has a rated capacity of 35 MW (originally at 25 MW), is one of the three generating units of the Ambuklao plant. Rehabilitation works commenced since 2008 following its turn over by the PSALM. AP has an effective stake of 50% in this facility.

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

- Completion of the rehabilitation of the Ambuklao-Binga hydropower facilities

  Together with its partner SN Power Invest AS (SN Power), AP has been pursuing the programmed rehabilitation of both the 75 MW Ambuklao and 100 MW Binga hydro facilities.

  Ambuklao's rehabilitation comprises works on three units of 25 MW each. Works on one of the three units have been completed, which increased its capacity to 35 MW. This unit commenced its operations in June 2011. Completion of the other two units should likewise increase their capacities by 5 MW each, and are expected to take place in the third quarter of 2011. Ambuklao will have a total capacity of 105 MW of renewable energy that will significantly augment the supply of electrical power to the Luzon Grid.

  Rehabilitation works on Binga will commence in 2011, performing works on one unit per year. Completion of 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. Once completed, generation capacity and plant availability are expected to improve. At present, the Tiwi-Makban geothermal power plants have a combined estimated generation capacity of 467 MW. AP reckons that after completion of the rehabilitation works, generation capacity could increase to approximately 484 MW, which takes into account current steam supply and decline rates. Completion of works is estimated within first semester of 2012.

- 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), currently a joint venture company formed by AP's wholly owned subsidiary TPI and Taiwan Cogeneration International Corporation (TCIC). The project involves the construction and operation of a 2x300 MW independent coal-fired power plant in the Subic Bay Freeport Zone (the Subic Coal Project). On June 27, 2011, Meralco PowerGen Corporation (MPGC) announced its intention of participating in the Subic Coal Project. MPGC is expected to take a controlling interest in RP Energy, with TPI and TCIC owning the remaining stake equally. Commercial operation of the first unit of the proposed Subic Coal Project is expected to commence in 2014, with the second unit to follow 6-9 months after.

  <u>300 MW Coal-fired Power Plant in Davao.</u> AP is planning to put up a 2x150MW coal-fired power plant in Davao, which is the biggest load center in the island of Mindanao. The Company is in the process of obtaining the necessary permits and government clearances. AP has already identified a location in Davao and has successfully negotiated a lease with an option to purchase. The Company has engaged engineering and environmental consultants that have initiated physical and environmental data collection. Once completed, together with all the necessary permits and approvals, construction is expected to be completed in 36 months.

  <u>150 MW Coal-fired Power Plant in Misamis Oriental.</u> On June 28, 2010, AP 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. AP 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.

<u>13.6 MW Tudaya 1 and 2 Hydro Power Plant Project.</u> 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 plant, tapping the same water resource, which are the Sibulan and Baroring rivers. The two plants will have a combined capacity of 13.6 MW. Hedcor Tudaya is currently working on obtaining the water permits and environmental clearances. Target groundbreaking is by third quarter of 2011. Construction is estimated to be completed in 20 months.

<u>11.5 MW Hedcor Tamugan Hydro Power Plant Project.</u> 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.

<u>Other Greenfield and Brownfield developments.</u> AP, 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. T he 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.

AP 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 AP 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. Both VECO and Davao Light implemented their approved rate structures in August 2010. Both companies are presently waiting for the release of the decisions by the ERC for their rate translation adjustments for the second year of their 4-year regulatory period, which commences in July 2011.

San Fernando Electric Light & Power Co., Inc. (SFELAPCO) and Subic Enerzone Corporation (SEZ) are part of the fourth batch (Group D) of private distribution utilities to enter PBR. The regulatory reset process is on its final stages. In April 2011, the ERC released its draft determination on the applications for annual revenue requirements and performance incentive schemes for the regulatory period October 2011 to September 2015. Public hearings were held in June 2011. The ERC is expected to release the final determinations by July 2011, after which, both SFELAPCO and SEZ will file their respective rate design applications for the first regulatory year to be implemented from October 2011 to September 2012.

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 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

- Retail Electricity Suppliers (RES) duly licensed by the ERC

The implementation of the Open Access presents a big opportunity for AP, 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, AP's generation assets that have uncontracted capacity will be able to have direct access to eligible contestable customers through AP'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	**Cristina B. Beloria**
Signature and Title	**Assistant Vice President - Controller**
Date	15 AUG 2011
Corporate Secretary	**M. Jasmine S. Oporto**
Signature and Title	**Corporate Secretary**
Date	15 AUG 2011

ABOITIZ POWER CORPORATION
AND SUBSIDIARIES

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

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

	(Unaudited) June 30 2011	(Audited) December 31 2010
ASSETS		
Current Assets		
Cash and cash equivalents	**₱20,220,355**	₱18,301,845
Trade and other receivables	**8,102,435**	6,805,791
Derivative asset	**95**	7,670
Inventories	**2,135,507**	1,845,587
Other current assets	**2,456,645**	959,353
Total Current Assets	**32,915,037**	27,920,246
Noncurrent Assets		
Property, plant and equipment	**76,435,862**	74,291,764
Intangible asset - service concession rights	**4,658,634**	936,996
Investment property	**10,000**	10,000
Investments in and advances to associates	**27,972,064**	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	**284,960**	199,822
Other noncurrent assets	**894,477**	1,225,483
Total Noncurrent Assets	**111,420,084**	106,636,626
TOTAL ASSETS	**₱144,335,121**	₱134,556,872
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	**₱1,150,800**	₱1,979,800
Trade and other payables	**8,958,027**	6,953,830
Derivative liabilities	**7,734**	323
Income tax payable	**162,047**	179,648
Current portion of:		
Long-term debts	**670,943**	555,495
Finance lease obligation	**1,095,960**	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	**12,093,962**	10,824,973
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts	**21,250,126**	16,147,618
Finance lease obligation	**49,054,459**	47,203,036
Long-term obligation on power distribution system	**259,803**	242,559
Payable to preferred shareholder of a subsidiary	**45,883**	62,970
Customers' deposits	**2,088,674**	2,004,384
Pension liabilities	**21,504**	16,001
Deferred income tax liabilities	**435,410**	321,121
Total Noncurrent Liabilities	**73,155,859**	65,997,689
Total Liabilities	**85,249,821**	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	**(121,766)**	–
Share in cumulative translation adjustments of associates	**114,491**	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	**38,386,778**	37,505,797
	58,569,626	57,330,188
Non-controlling Interests	**515,674**	404,022
Total Equity	**59,085,300**	57,734,210
TOTAL LIABILITIES AND EQUITY	**₱144,335,121**	₱134,556,872

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

(Unaudited)

	JAN-JUN/11	JAN-JUN/10	**APR-JUN/11**	APR-JUN/10
OPERATING REVENUES	**₱27,267,329**	₱34,123,730	**₱14,327,922**	₱17,523,178
OPERATING EXPENSES	**17,084,441**	18,915,967	**9,515,777**	10,432,140
FINANCIAL INCOME (EXPENSES)				
Interest income	**294,006**	41,999	**151,004**	30,161
Interest expense and other financing costs	**(3,543,506)**	(3,267,786)	**(1,827,365)**	(1,679,200)
	6,933,388	11,981,976	**3,135,784**	5,441,999
OTHER INCOME (EXPENSES)				
Share in net earnings of associates	**3,638,965**	1,027,310	**2,276,025**	436,135
Others - net	**542,175**	50,127	**234,100**	(579,561)
	4,181,140	1,077,437	**2,510,125**	(143,426)
INCOME BEFORE INCOME TAX	**11,114,528**	13,059,413	**5,645,909**	5,298,573
PROVISION FOR INCOME TAX	**426,509**	309,175	**104,250**	(20,375)
NET INCOME	**₱10,688,019**	₱12,750,238	**₱5,541,659**	₱5,318,948
Attributable to:				
Equity holders of the parent	**₱10,594,339**	₱12,714,352	**₱5,488,488**	₱5,285,239
Non-controlling interests	**93,680**	35,886	**53,171**	33,709
	₱10,688,019	₱12,750,238	**₱5,541,659**	₱5,318,948
EARNINGS PER COMMON SHARE				
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	**₱1.44**	₱1.73	**₱0.75**	₱0.72

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-JUN/11	JAN-JUN/10	**APR-JUN/11**	APR-JUN/10
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	**₱10,594,339**	₱12,714,352	**₱5,488,488**	₱5,285,239
Non-controlling interests	**93,680**	35,886	**53,171**	33,709
	10,688,019	12,750,238	**5,541,659**	5,318,948
OTHER COMPREHENSIVE INCOME (LOSS)				
Movement in cumulative translation adjustments	**(121,766)**	–	**(121,766)**	–
Share in movement in cumulative translation adjustments of associates	**56,569**	3,943	**75,161**	47,641
Income tax effect on other comprehensive income	**–**	–	**–**	–
Total other comprehensive income, net of tax	**(65,197)**	3,943	**(46,605)**	47,641
TOTAL COMPREHENSIVE INCOME	**₱10,622,822**	₱12,754,181	**₱5,495,054**	₱5,366,589
Attributable to:				
Equity holders of the parent	**10,529,142**	12,718,295	**5,441,883**	5,332,880
Non-controlling interests	**93,680**	35,886	**53,171**	33,709
	₱10,622,822	₱12,754,181	**₱5,495,054**	₱5,366,589

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED JUNE 30, 2011 AND DECEMBER 31, 2010, AND JUNE 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	–	–	–	–	56,569	–	–	–	56,569
Cumulative Translation Adjustments				(₱121,766)					(121,766)
Net income for the year	–	–	–	–	–	–	10,594,339	93,680	10,688,019
Total recognized income (loss) for the year	₱–	₱–	₱–	(₱121,766)	₱56,569	₱–	₱10,594,339	₱93,680	₱10,622,822
Cash Dividends - ₱1.32 a share	–	–	–	–	–	–	(9,713,358)	–	(9,713,358)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	(692)	(692)
Acquisition of non-controlling interests	–	–	–	–	–	423,654	–	–	423,654
Change in non-controlling interests	–	–	–	–	–	–	–	18,664	18,664
Balances at June 30, 2011	**₱7,358,604**	**₱12,588,894**	**₱78,188**	**(₱121,766)**	**₱114,491**	**₱164,507**	**₱38,386,778**	**₱515,674**	**₱59,085,300**
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

	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
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	₱571,068	₱35,046,927
Share in cumulative translation adjustments of associates	–	–	–	–	–	–	–	–	–
Cash Dividends	–	–	–	–	–	–	(2,207,581)	–	(2,207,581)
Net income for the year	–	–	–	–	3,943	–	12,714,352	35,886	12,754,181
Total recognized income (loss) for the year	₱–	₱–	₱–	₱–	₱3,943	₱–	₱10,506,771	₱35,886	₱10,546,600
Change in non-controlling interests	–	–	–	–	–	–	–	(49,757)	(49,757)
Balances at June 30, 2010	₱7,358,604	₱12,588,894	₱–	₱–	₱3,943	(₱259,147)	₱25,197,032	₱557,197	₱45,543,770

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)
(Unaudited)

	JAN-JUN/11	JAN-JUN/10	**APR-JUN/11**	APR-JUN/10
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**₱11,114,528**	₱13,059,412	**₱5,645,909**	₱5,298,573
Adjustments for:				
Depreciation and amortization	**1,619,241**	1,434,686	**849,656**	748,555
Interest expense	**3,543,546**	3,267,786	**1,827,365**	1,679,200
Net unrealized foreign exchange losses (gains)	**(285,217)**	(169,228)	**(41,677)**	583,046
Unrealized fair valuation loss (gain) on derivatives	**7,252**	(10,218)	**(11,326)**	1,686
Gain on sale of property, plant and equipment	**(2,188)**	–	**(1,753)**	–
Interest income	**(294,006)**	(41,999)	**(151,004)**	(30,161)
Share in net earnings of associates	**(3,638,965)**	(1,027,310)	**(2,276,025)**	(436,135)
Operating income before working capital changes	**12,064,151**	16,513,129	**5,841,145**	7,844,764
Decrease (increase) in operating assets	**(2,570,167)**	(5,717,617)	**(1,982,502)**	594,566
Increase in operating liabilities	**1,879,558**	3,336,004	**1,781,482**	1,643,366
Cash provided by operations	**11,373,542**	14,131,516	**5,640,125**	10,082,696
Income and final taxes paid	**(320,530)**	(440,507)	**(328,510)**	(168,887)
Net cash flows from operating activities	**11,053,012**	13,691,009	**5,311,615**	9,913,809
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash dividends received	**3,097,056**	531,219	**1,040,999**	351,182
Interest received	**279,572**	45,262	**116,692**	30,110
Additions to property, plant and equipment	**(3,668,603)**	(2,663,181)	**(2,929,195)**	(700,101)
Additional investments in associates	**(134,297)**	(664,394)	**(134,233)**	(870)
Additional advances to associates	**(210,653)**	(10,797)	**(5,316)**	(12,242)
Additions to intangible assets	**(77,111)**	(48,615)	**(56,833)**	(26,223)
Acquisition of subsidiary, net of cash	**(563,567)**	–	**(563,567)**	–
Net cash flows used in investing activities	**(1,277,603)**	(2,810,506)	**(2,531,453)**	(358,144)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds (payment) of bank loans	**(829,000)**	(5,828,100)	**4,600**	(4,987,610)
Proceeds from (payment of) long-term debt	**4,578,406**	780,288	**4,906,215**	(12,942)
Changes in non-controlling interests	**(520,652)**	(49,757)	**(519,973)**	(49,558)
Payments of finance lease obligation	**(549,115)**	(562,710)	**(273,615)**	(281,010)
Payments to preferred shareholders of a subsidiary	**(31,070)**	(31,070)	–	–
Interest paid	**(788,254)**	(820,657)	**(262,786)**	(385,039)
Cash dividends paid	**(9,713,358)**	(2,207,581)	**(9,713,358)**	(2,207,581)
Net cash flows used in financing activities	**(7,853,043)**	(8,720,723)	**(5,858,917)**	(7,924,876)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,922,366**	2,159,780	**(3,078,755)**	1,630,789
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(3,856)**	269,099	**9,748**	60,562
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**18,301,845**	3,814,906	**23,289,362**	4,552,434
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**₱20,220,355**	₱6,243,785	**₱20,220,355**	₱6,243,785

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-JUN/11	JAN-JUN/10
Share in movement in cumulative translation adjustments of associates	**₱56,569**	₱3,943
Movement in cumulative translation adjustments	**(121,766)**	-
Income tax relating to components of other comprehensive income	**-**	-
Other comprehensive income (loss) for the period	**(₱65,197)**	₱3,943

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

	JAN-JUN/11		
	Before-Tax Amount	**Tax (Expense) Benefit**	**Net-of-Tax Amount**
Share in movement in cumulative translation adjustments of associates	₱56,569	-	₱56,569
Movement in cumulative translation adjustments	(121,766)	-	(121,766)
Other comprehensive income (loss) for the period	**(₱65,197)**	-	**(₱65,197)**

	JAN-JUN/10		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Share in movement in cumulative translation adjustments of associates	₱3,943	-	₱3,943
Other comprehensive income (loss) for the period	₱3,943	-	₱3,943

C Investments in and Advances to Associates

	% Ownership	June 30, 2011	December 31, 2010
Acquisition cost:			
Manila Oslo Renewable Enterprise, Inc.	**83.33**	**₱8,818,691**	₱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.	**55.19**	**657,569**	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.	**50.00**	**5,000**	5,000
Others		**32,304**	27,836
Balance at end of period		**₱18,234,998**	₱19,148,952
Accumulated equity in net earnings:			
Balance at beginning of the year		**7,645,004**	4,966,140
Share in net earnings		**3,638,965**	4,625,883
Step acquisition to subsidiary		**(196,403)**	–
Effect of redemption of preferred shares by an associate		–	(353,662)
Cash dividends		**(3,097,056)**	(1,593,357)
Balance at end of period		**7,990,510**	7,645,004
		26,225,508	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		**114,491**	57,922
Investments in associates at equity		**26,418,117**	26,929,996
Advances to associates - net		**1,553,947**	1,869,374
		₱27,972,064	₱28,799,370

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

D Trade and Other Payables

	June 30, 2011
Trade	**₱2,054,417**
DOSRI	–
Others	**6,903,610**
	₱8,958,027

E Bank Loans

	Interest Rate	Jun 30/11	Dec 31/10
Peso loans - financial institutions - unsecured	3.50% to 4.25% in 2011; 4.88% to 5.10% in 2010	**₱1,150,800**	₱1,979,800
		₱1,150,800	₱1,979,800

F Long-term Debts

	Interest Rate	**Jun 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%	**3,438,474**	3,570,000
Hedcor, Inc. (HI)			
Financial institution - secured	8.36%	**516,800**	549,100
Cebu Private Power Corporation			
Financial institutions - secured	3.22% - 6.40%	**533,334**	640,000
Subic Enerzone Corporation			
Financial institution - secured	8.26% - 10.02%	–	119,090
Luzon Hydro Corporation (LHC)			
Financial institution – secured	5.00%	**639,550**	–
Balamban Enerzone Corporation			
Financial institution - secured	7.50%	**70,000**	70,000
Total		**22,076,958**	16,826,990
Less deferred financing costs		**155,889**	123,877
		21,921,069	16,703,113
Less current portion		**670,943**	555,495
		₱21,250,126	₱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-JUN/11	JAN-JUN/10
a.	Net income attributable to equity holders of the parent	**₱10,594,339**	₱12,714,352
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)	**₱1.44**	₱1.73

There are no dilutive potential common shares as of June 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:

June 30, 2011

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	**₱20,422,524**	**₱6,780,442**	**₱64,363**	**₱–**	**₱27,267,329**
Inter-segment	**567,635**	**–**	**137,158**	**(704,793)**	**–**
Total Revenue	**₱20,990,159**	**₱6,780,442**	**₱201,521**	**(₱704,793)**	**₱27,267,329**
Segment results	**₱9,426,193**	**₱754,517**	**₱2,178**	**₱–**	**₱10,182,888**
Unallocated corporate income - net	**335,248**	**246,689**	**(39,762)**	**–**	**542,175**
INCOME FROM OPERATIONS	**9,761,441**	**1,001,206**	**(37,584)**	**–**	**10,725,063**
Interest expense	**(2,896,588)**	**(40,566)**	**(606,352)**	**–**	**(3,543,506)**
Interest income	**114,123**	**7,320**	**172,563**	**–**	**294,006**
Share in net earnings of associates	**3,419,406**	**219,559**	**11,074,652**	**(11,074,652)**	**3,638,965**
Provision for (benefit from) income tax	**(156,660)**	**(265,554)**	**(4,295)**	**–**	**(426,509)**
NET INCOME	**₱10,241,722**	**₱921,965**	**₱10,598,984**	**(₱11,074,652)**	**₱10,688,019**
OTHER INFORMATION					
Investments in Associates	**₱23,973,949**	**₱2,327,531**	**₱52,859,515**	**(₱52,742,878)**	**₱26,418,117**
Segment Assets	**₱123,462,294**	**₱8,769,132**	**₱75,506,744**	**(₱63,403,049)**	**₱144,335,121**
Segment Liabilities	**₱75,796,821**	**₱4,783,147**	**₱17,050,843**	**(₱12,380,990)**	**₱85,249,821**
Depreciation and amortization	**₱1,430,503**	**₱179,094**	**₱9,644**	**₱–**	**₱1,619,241**

June 30, 2010

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱27,895,804	₱6,191,148	₱36,778	₱–	₱34,123,730
Inter-segment	46,799	–	113,170	(159,969)	–
Total Revenue	₱27,942,603	₱6,191,148	₱149,948	(₱159,969)	₱34,123,730
Segment results	₱14,971,825	₱225,058	₱10,880	₱–	₱15,207,763
Unallocated corporate income (expenses)	(183,125)	190,075	43,177	–	50,127
INCOME FROM OPERATIONS	14,788,700	415,133	54,057	–	15,257,890
Interest expense	(2,619,022)	(53,640)	(595,124)		(3,267,786)
Interest income	33,960	4,478	3,561		41,999
Share in net earnings of associates	826,452	200,858	13,269,111	(13,269,111)	1,027,310
Provision for income tax	(228,633)	(74,379)	(6,163)	–	(309,175)
NET INCOME	₱12,801,457	₱492,450	₱12,725,442	(₱13,269,111)	₱12,750,238
OTHER INFORMATION					
Investments in Associates	₱22,948,989	₱2,210,869	₱40,768,426	(₱40,768,426)	₱25,159,858
Segment Assets	₱108,023,350	₱8,416,129	₱60,274,718	(₱54,743,379)	₱121,970,817
Segment Liabilities	₱72,318,995	₱5,183,847	₱15,435,116	(₱16,510,909)	₱76,427,049
Depreciation and amortization	₱1,265,259	₱160,873	₱8,554	₱–	₱1,434,686

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. 2.39% of the Group's debt will mature in less than one year at June 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 June 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	**₱5,113,306**	**₱5,113,306**	₱849,201	₱4,264,105	₱–	₱–
Due to related parties	**227,999**	**227,999**	227,999	–	–	–
Customers' deposits	**2,088,674**	**2,088,674**	–	–	30,912	2,057,762
Bank loans	**1,150,800**	**1,150,800**	–	1,150,800	–	–
Payable to preferred shareholders of subsidiary	**54,334**	**124,280**	–	31,070	93,210	–
Finance lease obligation	**50,150,419**	**110,228,004**	–	1,095,960	19,513,568	89,618,476
Long-term obligation on power distribution system	**299,803**	**680,000**	–	40,000	200,000	440,000
Long-term debts	**21,921,069**	**22,076,958**	–	670,943	19,051,818	2,354,197
Derivative liabilities	**7,734**	**7,734**	–	7,734	–	–
Total	**₱81,014,138**	**₱141,697,755**	₱1,077,200	₱7,260,612	₱38,889,508	₱94,470,435

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 June 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 7.50% 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 June 30, 2011

	<1 year	1-5 years	>5 years	**Total**
Floating rate - long-term debt	₱337,690	₱828,678	₱–	₱1,166,368
Fixed rate - long-term debt	333,253	18,086,759	2,334,690	20,754,701
Floating rate - payable to preferred shareholders of subsidiaries	8,451	45,883	–	54,334
	₱679,394	₱18,961,320	₱2,334,690	₱21,975,403

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
June 30, 2011	100	(₱11,664)
	(50)	5,832
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-JUN/11	JAN-JUN/10
Bank loans and long-term debt	**₱827,928**	₱711,424
Customers' deposits	**1,932**	2,952
Finance lease obligation	**2,683,491**	2,523,623
Long-term obligation on power distribution system	**17,243**	17,550
Payable to preferred shareholder of subsidiary	**8,636**	9,903
Advances from related parties	**4,276**	2,334
	₱3,543,506	₱3,267,786

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 June 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 June 30, 2011 and December 31, 2010, translated to Philippine Peso.

	June 30, 2011		December 31, 2010	
	US Dollar	Philippine Peso equivalent[1]	US Dollar	Philippine Peso equivalent[1]
Loans and receivables				
Cash	**US$13,246**	**₱573,951**	**US$8,019**	**₱351,553**
Trade and other receivables	–	–	963	42,218
Advances to associates	**1,400**	**60,662**	**13,402**	**587,544**
Restricted cash				
Total financial assets	**14,646**	**634,613**	**22,384**	**981,315**
Other financial liabilities				
Bank loans				
Trade and other payables	**5,682**	**246,201**	5,682	249,099
Long-term debt	**14,760**	**639,550**		
Finance lease obligation	**585,973**	**25,390,225**	**563,388**	**24,698,930**
Total financial liabilities	**606,415**	**26,275,976**	**569,070**	**24,948,029**
Net foreign currency denominated assets	**(US$591,769)**	**(₱25,641,363)**	**(US$546,686)**	**(₱23,966,714)**

[1] *$1 = ₱43.3300 ending Jun 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 June 30, 2011.

	Increase/ (decrease) in US Dollar	Effect on income before tax
June 30, 2011		
US dollar denominated accounts	**US Dollar strengthens by 5%**	**(₱1,282,068)**
US dollar denominated accounts	**US Dollar weakens by 5%**	**1,282,068**

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 June 30, 2011 and December 31, 2010 is summarized in the following table:

	June 30, 2011	December 31, 2010
Power distribution		
Residential	**₱211,927**	₱308,887
Commercial	**118,434**	164,468
Industrial	**510,566**	420,154
City street lighting	**3,103**	8,619
Power generation		
Spot market	**808,868**	1,702,790
Power supply contracts	**5,875,713**	3,669,286
	₱7,538,611	₱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 June 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 June 30, 2011 and December 31, 2010.

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

	June 30, 2011	December 31, 2010
Bank loans	**₱1,150,800**	₱1,979,800
Long-term debt	**72,125,822**	65,084,996
Cash and cash equivalents	**(20,220,355)**	(18,301,845)
Net debt (a)	**53,056,267**	48,762,951
Equity	**59,085,300**	57,734,210
Equity and net debt (b)	**₱112,141,567**	₱106,497,161
Gearing ratio (a/b)	**47.31%**	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).

	June 30, 2011		December 31, 2010	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
FINANCIAL ASSETS				
Cash and cash equivalents	**₱20,220,355**	**₱20,220,355**	₱18,301,845	₱18,301,845
Trade and other receivables	**8,102,435**	**8,102,435**	6,805,791	6,805,791
	28,322,790	**28,322,790**	25,107,636	25,107,636
Financial Assets at FVPL				
Derivative asset	**95**	**95**	7,670	7,670
AFS Financial Assets	**3,744**	**3,744**	3,744	3,744
	₱28,326,629	**₱28,326,629**	₱25,119,050	₱25,119,050
FINANCIAL LIABILITIES				
Other Financial Liabilities				
Bank loans	**₱1,150,800**	**₱1,150,800**	₱1,979,800	₱1,979,800
Trade and other payables				
Trade payables	**2,054,417**	**2,054,417**	2,063,082	2,063,082
Accrued expenses	**390,308**	**390,308**	706,692	706,692
Due to related parties	**227,999**	**227,999**	129,999	129,999
Other payables	**2,668,581**	**2,668,581**	1,978,260	1,978,260
Long-term debt				
Floating - long-term debt	**1,166,368**	**1,166,368**	636,433	636,433
Fixed rate - long-term debt	**20,754,701**	**22,315,089**	16,066,680	17,953,303
Floating rate - payable to preferred shareholder of a subsidiary	**54,334**	**54,334**	76,767	76,767
Fixed rate - finance lease obligation	**50,150,419**	**60,113,351**	48,305,116	58,268,048
	78,617,927	**90,141,247**	71,942,829	83,792,384
Customers' deposits	**2,088,674**	**2,088,674**	2,004,384	2,004,384
Long-term obligation on power distribution system	**299,803**	**428,220**	282,559	413,057
	81,006,404	**92,658,141**	74,229,772	86,209,825
Financial Liability at FVPL				
Derivative liabilities	**7,734**	**7,734**	323	323
	₱81,014,138	**₱92,665,875**	₱74,230,095	₱86,210,148

<u>Fair Value of Financial Instruments</u>

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 June 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. 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 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. Material Events and Changes

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. <u>Material Adjustments</u>

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. <u>Contingencies</u>

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 : JUN 30/2011

	30 Days	60 Days	90 Days	Over 90 Days	Total
A/R - Trade:					
Power Distribution Customers	631,534	164,113	36,272	11,144	843,063
Power Generation Customers	3,813,001	426,223	315,198	2,130,159	6,684,581
Management & Other Services Customers	10,967	0	0	0	10,967
Sub-total - A/R - Trade	**4,455,502**	**590,336**	**351,470**	**2,141,303**	**7,538,611**
Less : Allowance for Doubful Accounts					**596,334**
Net Trade Receivables					**6,942,277**
A/R - Non Trade	**796,351**	**32,702**	**123,062**	**208,043**	**1,160,158**
Grand Total	**5,251,853**	**623,038**	**474,532**	**2,349,346**	**8,102,435**

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