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)

M. JASMINE S. OPORTO	(032) 411-1800
Contact Person	Company Telephone Number

2nd Quarterly Report

1 2 / 3 1	1 7 - Q	0 5 / 1 9
Month *Day*	FORM TYPE	*Month* *Day*
Fiscal Year		Annual Meeting

Secondary License Type, if Applicable

S E C	
Dept. Requiring this Doc	Amended Articles Number/Section

	x	
Total No. of Stockholders	Domestic	Foreign

- -

To be accomplished by SEC Personnel concerned

File Number

LCU

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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, 2008

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	₱8,691,185,000.00

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

Yes [x] No [ ]

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

Philippine Stock Exchange — Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, 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" or the "Company") and its subsidiaries (the Company and its subsidiaries are hereinafter collectively referred to as the "Group"):

1. **Equity in Net Earnings (Losses) of Investees.** Equity in net earnings (losses) of investees 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 investee at the date of acquisition. Equity in net earnings (losses) of investees indicates profitability of the investment and investees' contribution to the group's net income.

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

2. **Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA**). The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts.

3. **Cash Flow Generated.** Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the Group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. **Current Ratio**. Current ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt paying ability. The higher the ratio, the more liquid the Group.

5. **Debt-to-Equity Ratio.** Debt-to-Equity ratio gives an indication of how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

The table below shows the comparative figures of the top five (5) key performance indicators for the first six (6) months of 2008 and 2007 and as of December 31, 2007 (amounts in thousands except for financial ratios):

	JUNE 30/2008	JUNE 30/2007	DEC 31/2007
EQUITY IN NET EARNINGS OF INVESTEES	**1,309,926**	676,332	
EBITDA	**2,522,487**	1,849,917	
CASH FLOW GENERATED:			
Net cash provided by (used in) operating activities	**(287,319)**	3,150,153	
Net cash used in investing activities	**(1,449,364)**	(6,336,640)	
Net cash provided by (used in) financing activities	**(1,196,881)**	4,060,133	
Net Increase (Decrease) in Cash & Cash Equivalents	**(2,933,564)**	873,646	
Cash & Cash Equivalent, Beginning	**13,287,811**	1,494,272	
Cash & Cash Equivalent, End	**10,305,267**	2,247,190	
CURRENT RATIO	**2.21**		2.54
DEBT-TO-EQUITY RATIO	**0.31**		0.31

Above key performance indicators are within management expectations.

Earnings contributions of power assets acquired in 2007 almost doubled the equity net earnings recorded in the same period last year. The largest incremental contribution comes from the equity earnings of STEAG State Power, Inc. (STEAG) of ₱491 million for the first half of the year. Luzon Hydro Corporation (LHC) also contributed ₱102 million in additional earnings despite the expected drop in tariff due to the nonrecurring effect of ₱145 million reversal of accrued costs resulting from the settlement of a case under arbitration. The rest of the earning contributions came from the full year income of East Asia Utilities Corporation (EAUC), a new acquisition.

The strong showing of the Company's newly acquired subsidiaries resulted to the 36% year-on-year growth in EBITDA. This, coupled by prudent spending, allowed the Company to keep its operating expenses within expectations.

The decrease in the current ratios and other financial ratios points to an improved utilization of capital. This can be seen in the increase in investments during the first half of the year versus investments as of year end 2007. This is in line with the Company's original plan of improving shareholder value by deploying capital into higher yielding investments.

The Company is currently evaluating the investment viability of the power generation assets that the National Power Corporation (NPC) and the Power Sector Assets and Liabilities Management Corporation (PSALM) intend to auction off.

Financial Results of Operations

The Company's net income for the first half of 2008 grew by 84% to ₱2.06 billion from ₱1.12 billion for the same period last year. This translates to an earnings per share of ₱0.28 for the first half of 2008 versus an earnings per share of ₱0.21 for the first half of 2007.

Higher electricity sales for the period resulted to an income contribution from the power distribution business of ₱767 million, up by 15% from last year's ₱669 million. The power distribution group’s kilowatt-hour electricity sales for the period grew by 17% year-on-year, from 1,311 GWh to 1,532 GWh.

The power generation business brought in a net income contribution of ₱1.32 billion, recording a 182% year-on-year growth from last year’s ₱468 million. The strong growth can be attributed to the incremental earnings contributions from 2007 acquisitions of ₱633 million, with major contributions coming from the 232MW STEAG coal power plant and the 360MW Magat hydropower plant, and the improved performance of

AP's other generation assets. Total power sold for the period recorded a 207% year-on-year expansion, from 262 GWh to 806 GWh.

1. INCOME STATEMENTS (Jan- June 2008 vs Jan-June 2007)

Consolidated net income attributable to equity holders grew by ₱941 million or 84%. Below is a reconciliation of growth in the consolidated net income:

Consolidated Net Income Attributable to Equity Holders of the Parent for the 1st half of 2007	1,123,574
Increase in Revenues	838,218
Increase in Cost and Expenses	(881,680)
Growth from Share in Equity Earnings	633,593
Increase in Net Interest Income	161,011
Increase in Other Income	221,300
Higher Provision for Taxes	(72,410)
Decrease in Minority Interest	41,194
Total Growth	941,226
Consolidated Net Income Attributable to Equity Holders of the Parent for the 1st half of 2008	2,064,800

Total consolidated revenue grew by 16% versus the same period last year. Power distribution subsidiaries' consolidated revenues increased by ₱397 million, or a 9% increase for the period, from the consolidation of revenues from new acquisitions Balamban Enerzone Corporation (BEZ) and Mactan Enerzone Corporation (MEZ). The power generation's consolidated revenues, on the other hand, recorded a strong growth of 44% or ₱438 million due to higher generation sales from Cebu Private Power Corporation (CPPC) as a result of higher dispatch in 2008 versus CPPC's level of dispatch in 2007. Another strong contributor to the increased revenues from generation is Hedcor Inc. (Hedcor). Significant amount of rain in the first half of 2008 versus the rainfall of 2007 allowed Hedcor to generate more electricity for its customers.

The consolidated cost and expenses also increased by 20%. These are mainly driven by the cost of generated power and the cost of purchased power. For the distribution group, the cost of purchased power increased by 11%, all of which came from the cost of purchased power incurred by our new acquisitions, BEZ and MEZ. Generated power cost for our generation segment increased by 53%, primarily driven by the higher prices of fuel in 2008 which increased CPPC's cost of generated power by 46%.

Share in net earnings of associates increased by 94%. The income contribution of ₱492 million from the acquisition of STEAG comprises 77% of the total increase. The rest of the growth comes from the increase in net earning contributions of EAUC in the amount of ₱36 million and LHC in the amount of ₱103 million.

Interest income increased by 1,206% due to higher placements from the initial public offering (IPO) proceeds of AP parent. Interest expense increased by 167% due to interest coming from short-term loan of AP Parent obtained in November 2007 in relation to the acquisition of STEAG.

Other Income increased by ₱221 million as a result of forex losses in the prior year which swung to forex gains in 2008. AP parent increase in Other Income was ₱43 million, while Philippine Hydropower Corporation (PHC) was ₱123 million. Both account for 75% of the total increase.

As a result of the foregoing, income before income tax increased by ₱972 million or 67% over the same period a year ago. Correspondingly the Provision for income tax increased by 28%.

2. BALANCE SHEETS (JUNE 2008 vs DEC 2007)

Assets

Compared to yearend 2007 levels, consolidated assets increased by 1.74%, from ₱36.16 billion in Dec. 2007 to ₱36.79 billion in June 2008, due to the following:

a. Cash & Cash Equivalents was at ₱10.31 billion, down by 22% from yearend 2007 level of ₱13.29 billion. This was mainly attributable to the ₱1.54 billion additional or new Investments in associates. The remaining changes in cash position were also from the interest-bearing advances made to related parties and spendings in capital expenditures.

b. Trade & Other Receivables increased by 54%, from ₱1.66 billion to ₱2.56 billion, due to interest-bearing advances made to related parties.

c. Inventories were higher by 43%, from ₱375 million to ₱534 million, as a result of inventory build up due to the greenfield project requirements of hydro subsidiaries, inventory requirements for the distribution utilities for ongoing capital expenditure programs and increase in inventory due to preventive maintenance requirements of generating facilities.

d. Other Current Assets increased by 25%, to ₱434 million from ₱348 million, due to input VAT arising from construction in progress and also from higher taxes withheld.

e. Property, plant and equipment increased by 13%, from ₱4.43 billion to ₱5.01 billion, mainly due to the consolidation of the plant and equipment of the new hydro plant in Davao into PHC.

f. Investments and Advances increased by 13% due to additional or new investments in associates as follows:

   (i) ₱736 million for additional equity into Manila Oslo Renewable Enterprise Inc. (MORE),
   (ii) ₱807 million capital infusion into the Cebu Coal Project
   (iii) ₱273 million in advances made for Redondo Peninsula Energy Inc. (RP Energy)

   The remaining amount is due to equity earnings for the year.

g. Deferred tax assets decreased resulting from the changes in unrealized forex losses for the year versus unrealized forex gains from last year.

h. Other Noncurrent Assets is lower by 12%, from ₱70 million to ₱61 million, primarily due to the applied deferred input VAT by PHC and CPPC.

Liabilities

Consolidated liabilities increased by 2% compared to yearend 2007 level. The following were the reasons for the decline:

a) Bank loans increased by 9% or ₱293 million due to dollar-denominated debt which increased as a result of the weakening of the peso.

b) Trade and other payables decreased by 8% or ₱213 million due to significant payments made to suppliers in the first half of 2008 which was accrued at the end of 2007.

c) An increase in customer's deposit of 6 % or ₱82 million from last year is mainly due to new connections in the Cotabato Light and Power Co. (CLPC), Davao Light and Power Company Inc. (DLPC), and Subic

Enerzone Corporation (SEZ) franchise areas.

d) Payable to Preferred shareholders of subsidiary decreased by 21% due to payments made during the year.

e) Pension liability increased by 27% coming from AP Parent.

f) Income tax payable was up 12% due to higher income tax provision recorded during the period under review.

Equity

Equity attributable to equity holders of the parent increased by 2%, from ₱27.02 billion as of December 2007 to ₱27.48 billion as of June 2008. This was mainly due to consolidated net income of ₱2.06 billion for the first half of the year and after the cash dividend payment of ₱1.32 billion in the first quarter of the year.

The Company declared dividends of P0.18 per share to all stockholders as of record date February 21, 2008. This was paid on March 3, 2008.

Financial Ratios

Current ratio decreased by 0.33, from 2.54x as of December 2007 to 2.21x in June 2008. This was due to a decrease in cash and cash equivalents by ₱2.98 billion.

Debt-to-equity ratio remained at 0.31 as of June 30, 2008. Net debt to equity ratio as of June 2008 is at -0.24, a .05 decrease from 2007 year end net debt to equity ratio of -0.29.

Material Changes in Liquidity and Cash Reserves of Registrant

As of June 2008 the Group's cash reserves posted a balance of ₱10.31 billion after major investing and financing activities. The excess cash will be used to fund its programmed capital expenditures and to finance planned asset acquisitions for the remainder of the year.

Net cash from operating activities reported a usage of ₱287 million compared from the net cash inflow of ₱3.15 billion for the same period last year.

Net cash used in investing activities was ₱1.45 billion. Additional or new investments of ₱1.57 billion, advances to affiliates of ₱431 million and spendings for capital expenditures of ₱817 million accounted for most of the investing activities. These outflows were offsetted by the inflows coming from dividends received from associates in the amount of ₱1.23 billion.

Net cash used by financing activities for the period in review was ₱1.20 billion, resulting mainly from the cash dividends declared in the first quarter of ₱1.32 billion.

The Company finished the first half of the year with net cash outflows of ₱2.93 billion. The cash and cash equivalent at for the period ending June 30, 2008 was ₱10.31 billion is still significantly higher than the cash and cash equivalent held a year ago at ₱2.25 billion.

Known Trends, Events, Uncertainties, which may have Material Impact on Registrant

Except for the developments disclosed in this report and the attached financial statements, there are, as of the date of this report, no known trends, events or uncertainties that have had or are reasonably expected to have a material impact on the financial condition and operations of the Company.

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

The Company is optimistic that 2008 will be another good year. Notwithstanding external and uncontrollable economic and business factors that affect its businesses, the Company believes that it is in good position to benefit from the foreseen opportunities that will 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:

Generation Business

1. 200% Expansion in the Company's attributable capacity

AP's total attributable generating capacity increased by 200% from 164 MW in 2006 to 490 MW in 2007. The increase was brought about by the following:

- Turnover of the 360 MW Magat hydroelectric facility in Isabela province to SNAP- Magat in April 2007
- Acquisition of a 60% stake in CPPC in April 2007, owner and operator of a 70 MW oil-fired power plant in Cebu province;
- Acquisition of a 50% stake in EAUC in April 2007, owner and operator of a 50 MW oil-fired power plant in Mactan island, Cebu province; and the
- Acquisition of a 34% stake in STEAG in November 2007, owner and operator of a 232 MW coal-fired power plant in Misamis Oriental, Mindanao.

These plants had significant earnings contributions in 2007 and are expected to further improve in 2008 as full year results are recorded in the Company's financial books.

SNAP-Magat, the operator and owner of the 360 MW Magat hydroelectric facility, was able to refinance its US$380 million loan in October 2007, effectively lowering its interest cost significantly. It is estimated that cost savings of US$10 million per annum will be achieved.

2. Greenfield Projects

On February 17, 2007, AP entered into a Memorandum of Agreement with Taiwan Cogeneration International Corporation, a Taipei-based generation company, to collaborate in the building and operation of a 300 MW coal-fired power plant in the Subic Bay Freeport Zone. On May 30, 2007, RP Energy was incorporated as the 50:50 joint venture company for this project. Groundbreaking is expected to take place by the third quarter of 2008. The project is estimated to cost approximately US$500 million.

Construction work on the 42.5 MW run-of-river hydropower plant in Barangay Sibulan, Sta. Cruz, Davao del Sur by AP's 100%-owned subsidiary, Hedcor Sibulan is still ongoing. The project entails the construction of two cascading hydropower generating facilities tapping the Sibulan and Baroring Rivers. These facilities can generate an estimated 212 million kilowatt-hours of clean and emissions-free energy annually. The generation from these plants will supply DLPC starting August 2009.

Another subsidiary, Hedcor Tamugan, is currently in the detailed design stage for three run-of-river hydropower plants with combined capacity of 34.5 MW. Construction is expected to commence in August
2008 and completion by August 2010. The three plants, which will be located in Davao, will supply power to DLPC.

In August 2007, AP, together with Vivant Energy Corporation of the Garcia Group, signed a Memorandum of Agreement with Metrobank Group's Global Business Power Corporation for the construction and operation of a 3 x 82 MW coal-fired power plant in Toledo City, Cebu. Completion of the project is expected by first quarter of 2010. AP will have an effective participation of 26% in the project.

3. Ambuklao-Binga Turnover

On November 28, 2007, SN Aboitiz Power – Benguet, Inc. (SNAP-Benguet), a 50:50 joint venture between AP and SN Power AS of Norway, submitted the highest bid for the Ambuklao-Binga Hydroelectric Power Complex (Ambuklao-Binga HEPPC) consisting of the 75 MW Ambuklao Hydroelectric Power Plant located at Bokod, Benguet and the 100 MW Binga Hydroelectric Power Plant located at Itogon, Benguet. The price offered amounted to US$325 million. The PSALM issued the Notice of Award to SNAP-Benguet on December 19, 2007.

On July 10, 2008, SNAP-Benguet officially took over the ownership and operations of the Ambuklao-Binga HEPPC after turn over by PSALM. This marks the second and third hydroelectric plant investments by SN Aboitiz Power in the country, which brings its total capacity to 535 MW (including the 360MW Magat hydropower plant). To date, SN Aboitiz Power is the largest traditional hydro operator in the country.

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

AP Renewables, Inc. (APRI), a wholly owned subsidiary of AP, submitted the highest bid to PSALM for the 289 MW Tiwi geothermal facility in Albay and the 458 MW Makiling-Banahaw geothermal facility in Laguna (Tiwi-Makban). The price offered amounted to approximately US$447 million.

The Tiwi-Makban geothermal facilities will be a significant addition to AP's generating capacity following its successful bids for the Magat and Ambuklao-Binga hydropower plants in Northern Luzon and a stake STEAG. Upon closing of the purchase, AP will have investments in generation facilities with total generating capacity of 1,957 MW, more than 70% of which are powered from renewable sources of energy.

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.

The Company is looking at other power generation assets to be auctioned by the government, including the 146.5 MW-Panay and 22-MW Bohol diesel power plants.

Distribution Business

On the back of a robust economy, AP's distribution utilities are expected to turn in strong results in 2008. Topline growth will mainly come from higher volume sales, especially with full-year contributions from its acquired distribution utilities in 2007. These are:

- 100% of MEZ;
- 100% of BEZ; and
- an additional 36% of SEZ.

Efficiency improvements in operations will continue and should result to healthy margins being maintained.

CLPC has formed a team to study, facilitate and implement the company's shift to the performance-based rate (PBR) scheme under Group B. CLPC filed its revenue application on May 27, 2008. Release of Revenue Draft Determinant is expected to be approved by ERC on December 2008 while final approval of new rates is on February 2009. Implementation of new rates is to commence on April 1, 2009 until March 31, 2013, after which a new reset is made.

Visayan Electric Company, Inc. (VECO) and DLPC likewise formed their respective teams to study, facilitate and implement their shift to the PBR scheme under Group C. Their 4-year regulatory period will be from July 2011 to June 2014.

Except for the developments disclosed in this report and the attached financial statements, there are, as of the date of this report, no known trends, events or uncertainties that have had or are reasonably expected to have a material impact on the financial condition and operations of the Company.

PART II--OTHER INFORMATION

There is no significant information on the company, which requires disclosure herein and/or was not included in SEC Form 17-C.

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 Financial Officer	Iker M. Aboitiz
Signature and Title	First Vice President/Chief Financial Officer/Chief Information Officer
Date	August 8, 2008
	M. Jasmine S. Oporto
Corporate Secretary	M. Jasmine S. Oporto
Signature and Title	Corporate Secretary
Date	August 8, 2008

ABOITIZ POWER CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2008 AND DECEMBER 31, 2007
(Amounts in Thousands)

	UNAUDITED JUN 2008	AUDITED DEC 2007
ASSETS		
Current Assets		
Cash and cash equivalents	10,305,267	13,287,811
Trade and other receivables - net	2,561,599	1,661,120
Inventories - net	534,379	374,628
Other current assets	434,402	348,225
Total Current Assets	13,835,647	15,671,784
Noncurrent Assets		
Property, plant, and equipment - net	5,013,064	4,429,044
Investment Property	10,000	10,000
Investments and advances	16,828,959	14,888,057
Available-for-sale (AFS) investments	8,999	8,999
Goodwill	996,005	996,005
Pension Asset	28,525	28,752
Deferred income tax assets	10,378	60,677
Other noncurrent assets - net	61,434	69,642
Total Noncurrent Assets	22,957,364	20,491,176
TOTAL ASSETS	36,793,011	36,162,960
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	3,636,900	3,343,680
Trade and other payables	2,480,802	2,694,114
Income tax payable	124,803	111,898
Current portion of long-term debt	3,346	20,371
Current portion of payable to preferred shareholders	7,506	7,506
Total Current Liabilities	6,253,357	6,177,569
Noncurrent Liabilities		
Long-term debt - net of current portion	856,000	817,515
Customers' deposits	1,456,279	1,373,932
Payable to preferred stockholders	76,443	97,225
Pension liability	19,526	15,367
Deferred income tax liability	29,580	38,818
Total Noncurrent Liabilities	2,437,828	2,342,857
Total Liabilities	8,691,185	8,520,426
Equity Attributable to Equity Holders of the Parent		
Capital stock	7,358,604	7,358,604
Additional paid-in capital	12,588,894	12,588,894
Share in cumulative translation adjustments of associates	(475,161)	(629,346)
Acquisition of Minority Interest	(261,050)	(109,065)
Retained earnings	8,265,544	7,814,023
	27,476,831	27,023,110
Minority Interests	624,995	619,424
Total Equity	28,101,826	27,642,534
TOTAL LIABILITIES AND EQUITY	36,793,011	36,162,960

ABOITIZ POWER CORP. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE PERIODS ENDED JUNE 30, 2008 AND 2007
(Amounts in Thousands)
(UNAUDITED)

	JAN-JUN/08	JAN-JUN/07	APR-JUN 08	APR-JUN 07
REVENUES	6,096,968	5,258,751	3,127,615	3,154,525
COSTS AND EXPENSES	5,281,004	4,399,324	2,692,603	2,607,994
GROSS PROFIT	815,964	859,427	435,012	546,531
OTHER INCOME (CHARGES)				
Share in net earnings of associates	1,309,926	676,332	623,438	484,052
Interest income	267,375	20,478	118,721	10,219
Interest expense	(137,364)	(51,478)	(61,300)	(24,287)
Other income (charges)	166,933	(54,367)	100,792	(75,630)
	1,606,870	590,965	781,651	394,354
INCOME BEFORE INCOME TAX	2,422,834	1,450,392	1,216,663	940,885
PROVISION FOR INCOME TAX	326,621	254,211	139,611	165,491
NET INCOME	2,096,213	1,196,181	1,077,052	775,394
ATTRIBUTABLE TO:				
EQUITY HOLDERS OF THE PARENT	2,064,800	1,123,574	1,053,846	708,426
MINORITY INTERESTS	31,413	72,607	23,206	66,968
	2,096,213	1,196,181	1,077,052	775,394
Earnings Per Common Share **				
Basic, for income for the period attributable to ordinary holders of the parent	0.28	0.21	0.14	0.13
Diluted, for income for the period attributable to ordinary holders of the parent	0.28	0.21	0.14	0.13

** Refer to Disclosure F for the computation of Earnings per Common Share.

ABOITIZ POWER CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIODS ENDED JUNE 30, 2008 AND DECEMBER 31, 2007

	Attributable to equity holders of the parent						
	Capital Stock Common	Additional Paid-in Capital	Share in Cumulative Translation Adjustments of Associates	Acquisition of Minority Interest	Retained Earnings	Minority Interests	Total
Balances at December 31, 2007	**7,358,604**	**12,588,894**	**(629,346)**	**(109,065)**	**7,814,023**	**619,424**	**27,642,534**
Net income for the period					2,064,800	31,413	2,096,213
Cash dividends (P0.18 per share)					(1,324,549)		(1,324,549)
Share in IFRIC adjustments of associate					(288,730)		(288,730)
Acquisition of minority interests				(151,985)			(151,985)
Change in minority interests						(25,842)	(25,842)
Share in movement of cumulative translation adjustment of associates			154,185				154,185
Balances at June 30, 2008	**7,358,604**	**12,588,894**	**(475,161)**	**(261,050)**	**8,265,544**	**624,995**	**28,101,826**

	Attributable to equity holders of the parent						
	Capital Stock Common	Additional Paid-in Capital	Share in Cumulative Translation Adjustments of Associates	Acquisition of Minority Interest	Retained Earnings	Minority Interests	Total
Balances at December 31, 2006	**4,889,320**	**-**	**107,427**	**-**	**3,675,580**	**90,739**	**8,763,066**
Issuance of capital stock	2,338,776	12,493,722					14,832,498
Net income for the period					4,138,443	109,300	4,247,743
Collection of subscriptions receivable	110,680						110,680
Acquisition of minority interests	19,828	95,172		(109,065)		(5,935)	-
Change in minority interests						425,320	425,320
Share in movement of cumulative translation adjustment of associates			(736,773)				(736,773)
Balances at December 31, 2007	**7,358,604**	**12,588,894**	**(629,346)**	**(109,065)**	**7,814,023**	**619,424**	**27,642,534**

ABOITIZ POWER CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD ENDED JUNE 30, 2007

	Attributable to equity holders of the parent					
	Capital Stock Common	Additional Paid-in Capital	Share in Cumulative Translation Adjustments of Associates	Retained Earnings	Minority Interests	Total
Balances at December 31, 2006	**4,889,320**	**-**	**107,427**	**3,675,580**	**90,739**	**8,763,066**
Issuance of capital stock	510,680	3,558,760				4,069,440
Net income for the period				1,123,574	72,607	1,196,181
Change in minority interests					493,003	493,003
Share in movement of cumulative translation adjustment of associates			(108,220)			(108,220)
Balances at June 30, 2007	**5,400,000**	**3,558,760**	**(793)**	**4,799,154**	**656,349**	**14,413,470**

ABOITIZ POWER CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2008 AND 2007
(Amounts in Thousands)
(UNAUDITED)

	JAN-JUN/08	JAN-JUN/07	APR-JUN 08	APR-JUN 07
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income tax	2,422,834	1,450,392	1,216,663	940,885
Adjustments for:				
Share in net earnings of associates	(1,309,926)	(676,332)	(623,438)	(484,052)
Depreciation and amortization	233,807	246,635	122,952	149,048
Interest income	(267,375)	(20,478)	(118,721)	(10,219)
Interest expense	137,364	51,478	61,300	24,287
Unrealized foreign exchange loss	48,981	120,728	65,282	110,792
Gain on sale of available for sale investments		(1,123)		(1,076)
Loss on sale of property, plant & equipment		527		527
Operating income before working capital changes	1,265,685	1,171,827	724,038	730,192
Changes in:				
Decrease (increase) in operating current assets	(1,093,663)	1,275,566	(943,162)	1,168,093
Increase (decrease) in operating current liabilities	(127,942)	857,765	1,355,325	1,005,585
Cash provided by operations	44,080	3,305,158	1,136,201	2,903,870
Income and final taxes paid	(331,399)	(155,005)	(259,070)	(148,636)
Net cash provided by (used in) operating activities	(287,319)	3,150,153	877,131	2,755,234
CASH FLOWS FROM INVESTING ACTIVITIES:				
Dividends received	1,233,299	503,943	980,225	407,407
Interest received	214,631	17,206	118,721	31,515
Additional investments in associates	(1,567,117)	(6,369,742)	(1,549,147)	(6,369,742)
Collection of (payments for) advances to associates	(431,702)		(711,501)	23,486
Acquisitions of property, plant and equipment - net	(817,828)	(254,195)	(498,643)	(226,627)
Acquisitions net of cash		21,588		21,588
Decrease in Acquisition of Minority Interest	(177,948)			
Proceeds from sale of investments in shares of stock		1,123		1,123
Decrease (increase) in other assets	97,301	(256,563)	23,847	(196,370)
Net cash used in investing activities	(1,449,364)	(6,336,640)	(1,636,498)	(6,307,620)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from loans payable	293,220	393,300	254,340	372,300
Proceeds from (payments of) long-term debt	21,460	(323,178)	24,680	(295,678)
Payments of payable to preferred shareholders of subsidiaries	(20,782)		5,891	
Interest paid	(140,386)	(58,231)	(61,300)	(23,805)
Proceeds from issuance of capital stock		4,069,440		4,093,680
Cash dividends paid	(1,324,549)			507,552
Increase (decrease) in minority interest	(25,844)	(21,198)	1,001	(4,725)
Net cash provided by (used in) financing activities	(1,196,881)	4,060,133	224,612	4,649,324
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,933,564)	873,646	(534,755)	1,096,938
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS	(48,980)	(120,728)	(65,282)	(110,792)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	13,287,811	1,494,272	10,905,304	1,261,044
CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD	10,305,267	2,247,190	10,305,267	2,247,190

ABOITIZ POWER CORP. AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULES AND DISCLOSURES
AS OF JUNE 30, 2008 AND DECEMBER 31, 2007
(peso amounts in thousands)

A. INVESTMENTS AND ADVANCES

	% OWNERSHIP 2008	JUN 2008	DEC 2007
Investments in shares of stock			
At equity			
Acquisition cost:			
Redondo Peninsula Energy, Inc.	50.00%	5,000	
Cebu Coal Project	44.00%	807,199	
San Fernando Electric Light & Power Co., Inc.	43.78%	180,864	180,864
Pampanga Energy Ventures, Inc.	42.84%	209,465	209,465
Visayan Electric Co., Inc.	55.09%	654,828	652,843
Hijos de Escaño, Inc.	46.66%	857,237	857,197
Southern Philippines Power Corporation	20.00%	152,587	152,587
Western Mindanao Power Corporation	20.00%	263,664	263,664
STEAG	34.00%	4,400,611	4,384,045
East Asia Utilities Corporation	50.00%	1,009,143	1,009,143
Manila Oslo Renewable Enterprise, Inc.	83.33%	4,558,371	3,822,043
Luzon Hydro Corporation	50.00%	1,048,250	1,048,250
Cordillera Hydro Corporation	35.00%	88	88
Cebu Praedia Development Corporation	11.73%	27,749	27,749
Balance at end of period		14,175,056	12,607,938
Accumulated equity in net earnings:			
Balance, beginning of year		2,979,930	771,685
Share in net earnings for the year		1,309,926	2,790,038
Share in associates' prior period's adjustments (IFRIC)		(288,730)	
Cash dividends received		(1,233,299)	(581,793)
Balance, end of period		2,767,827	2,979,930
Share in associates' cumulative translation adjustments		(475,161)	(629,346)
Investments, at equity		16,467,722	14,958,522
Advances to investees		361,237	(70,465)
		16,828,959	14,888,057

B. ACCOUNTS PAYABLE & ACCRUED EXPENSES

Trade	1,065,427
DOSRI	-
Others	1,415,375
TOTAL	2,480,802

C. SHORT-TERM LOANS

	Effective Interest Rate	JUN 2008	DEC 2007
Financial institutions	3.28%-4.87%	3,636,900	3,343,680

D. LONG-TERM LOANS

	Effective Interest Rate	JUN 2008	DEC 2007
Company:			
		0	0
Subsidiaries:			
HEDCOR			
Financial institution - secured	2.25% over the applicable three-month Treasury Securities rate	647,000	648,000
SEZC			
Financial institution - secured	10.02%	210,000	182,848
CLP			
Financial institution - secured	8.78%	2,346	7,038
		859,346	837,886
Total		859,346	837,886
Less: Current portion		3,346	20,371
		856,000	817,515

E. DEBT SECURITIES

There has been no new debt security issuances made by the registrant or its subsidiaries.

F. EARNINGS PER SHARE

Earnings per common share amounts were computed as follows:

	JUN 2008	JUN 2007
a. Net income to common stockholders	2,064,800	1,123,574
b. Average number of outstanding shares	7,358,604,307	5,300,000,000
c. Earnings per share (a/b)	0.28	0.21

G. BUSINESS SEGMENT INFORMATION

Financial information on the operations of the business segment is summarized as follows:

	DISTRIBUTION		GENERATION		PARENT COMPANY & OTHERS		ELIMINATIONS		CONSOLIDATED	
	JAN-JUN/08	JAN-JUN/07	**JAN-JUN/08**	JAN-JUN/07	**JAN-JUN/08**	JAN-JUN/07	**JAN-JUN/08**	JAN-JUN/07	**JAN-JUN/08**	JAN-JUN/07
REVENUES	**4,663,464**	4,266,245	**1,421,221**	983,715	**147,948**	128,291	**(135,665)**	(119,500)	**6,096,968**	5,258,751
RESULT										
Segment results	**596,996**	595,409	**266,603**	163,988	**(47,635)**	100,030			**815,964**	859,427
Unallocated corporate income (expenses)	**157,832**	66,802	**(3,599)**	(91,100)	**12,700**	(30,069)			**166,933**	(54,367)
INCOME FROM OPERATIONS									**982,897**	805,060
Interest Expense	**(35,725)**	(28,774)	**(40,931)**	(22,702)	**(86,761)**	(2)	**26,053**		**(137,364)**	(51,478)
Interest Income	**5,959**	5,183	**52,505**	2,486	**234,964**	12,809	**(26,053)**		**267,375**	20,478
Share in net earnings of associates	**185,295**	179,931	**1,124,631**	496,401	**2,005,224**	1,070,398	**(2,005,224)**	(1,070,398)	**1,309,926**	676,332
Provision for Income tax	**(218,046)**	(215,408)	**(64,739)**	(18,303)	**(43,836)**	(20,500)			**(326,621)**	(254,211)
NET INCOME									**2,096,213**	1,196,181
NET INCOME TO COMMON	**691,981**	593,465	**1,303,387**	467,841	**2,074,656**	1,132,666			**2,064,800**	1,123,574
Segment assets	**1,691,593**	1,614,673	**3,423,619**	1,522,987	**8,739,919**	1,288,772	**(19,484)**	(13,459)	**13,835,647**	4,412,973
Investments in shares of stock at equity method	**2,305,998**	2,213,032	**14,161,724**	5,639,620	**21,068,472**	14,542,682	**(21,068,472)**	(14,542,683)	**16,467,722**	7,852,651
Unallocated corporate assets	**3,713,327**	2,531,103	**2,448,067**	4,300,217	**812,762**	64,187	**(484,514)**		**6,489,642**	6,895,508
Consolidated total assets									**36,793,011**	19,161,133
Segment liabilities	**3,296,373**	2,206,006	**2,635,655**	251,403	**3,089,246**	2,095,923	**(503,998)**	(13,459)	**8,517,276**	4,539,873
Unallocated corporate liabilities	**130,495**	149,556	**21,102**	46,348	**22,312**	11,886			**173,909**	207,790
Consolidated total liabilities									**8,691,185**	4,747,663
Depreciation & amortization	**153,445**	135,921	**77,483**	107,284	**2,879**	3,430			**233,807**	246,635

H. 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, amounts owed by parent company and related parties, accounts payable and accrued expenses 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 and credit risk. The BOD reviews and agrees policies for managing each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments.

Liquidity risk. Liquidity risk is the potential of not meeting obligations as they come due because of an inability to liquidate assets or obtain adequate funding. The Group maintains sufficient cash and cash equivalents to finance operations. Any excess cash is invested in short term money market placements. These placements are maintained to meet maturing obligations and pay dividend declarations. The Group, in general, matches the appropriate long-term funding instruments with the general nature of its equity investments.

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. 0.45% of its debt will mature in less than one year at June 30, 2008 (December 31, 2007: 1.20%). 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.

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, 2008, 77% of the Group's long term debt had floating interest rates ranging from 6.29% to 7.65%, and 23% are with fixed rates ranging from 8.78% to 10.02%. As of December 31, 2007, 80% of the Group's long term debt had floating interest rates ranging from 6.21% to 6.89%, and 20% are with fixed rates ranging from 8.78% to 9.5%.

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

As of June 30, 2008

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	1,000	646,000	–	647,000
Fixed rate - long-term debt	2,346	95,455	114,545	212,346
Floating rate - payable to pref shareholders of subsidiaries	7,506	76,443	–	83,949
	10,852	817,898	114,545	943,295

As of December 31, 2007

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	1,000	647,000	–	648,000
Fixed rate - long-term debt	19,371	123,333	47,182	189,886
Floating rate - payable to pref shareholders of subsidiaries	7,506	97,225	–	104,731
	27,877	867,558	47,182	942,617

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

	Increase/decrease in basis points	Effect on profit before tax
June 2008	100	6,470
	50	3,235
June 2007	100	6,480
	50	3,240

The sources of interest expense recognized during the period are as follows:

	June 2008	**June 2007**
Bank loans and long term debt	134,072	44,639
Customers' deposits	2,729	1,561
Advances from related parties	563	5,278
	137,364	51,478

Credit risk. For its cash investments, 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 assets. With respect to cash 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 a diversity of 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 a counterparty or group of counterparties.

Credit risk concentration of the Group according to customer category is summarized in the following table:

	June 30, 2008	December 31, 2007
Residential	254,050	218,335
Industrial	224,022	185,166
Commercial	82,889	162,912
Streetlighting/Flat Rate	21,589	15,106
Power distribution utilities/off-takers	311,559	282,612
	894,109	**864,131**

Capital management. 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. No changes were made in the objectives, policies or processes during the period ended June 30, 2008 and December 31, 2007.

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 40% or below at the consolidated level. Depending on the quality of cash flows, associates and subsidiaries that can secure limited recourse project financing can maintain a gearing ratio of 70%. The Group determines net debt as the sum of interest-bearing short-term and long-term loans (comprising long-term debt and payable to preferred shareholders of a subsidiary) less cash and short-term deposits and temporary interest bearing advances to related parties.

Gearing ratios of the Group as of June 30, 2008 and December 31, 2007 are as follows:

	June 30, 2008	December 31, 2007
Bank Loans	3,636,900	3,343,680
Long - term debt	943,295	942,617
Cash and cash equivalents	(10,305,267)	(13,287,811)
Temporary advances from (to) related parties	(964,500)	1,089,007
Net Debt (a)	(6,689,572)	(7,912,507)
Equity	28,101,826	27,642,536
Equity and Net Debt (b)	21,412,254	19,730,029
Gearing Ratio (a/b)	**(31.24%)**	**(40.10%)**

I. DISCLOSURES

1. Basis of Preparation and Accounting Policies

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for AFS investments and derivatives which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated point-of-sale costs. The consolidated financial statements are presented in Philippine peso and all values are rounded to the nearest thousand except as otherwise indicated.

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The same accounting policies are followed in the preparation of the interim financial statements as compared with those of the most recent annual financial statements, except as follows:

· Philippine Interpretation IFRIC 12, *Service Concession Arrangements*
· Philippine Interpretation IFRIC 14, PAS 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

Philippine Interpretation IFRIC 12, *Service Concession Arrangements*

Philippine Interpretation IFRIC 12 outlines an approach to account for contractual arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognize a financial asset and/or an intangible asset. A financial asset is recognized to the extent that the operator has a contractual right to receive cash from the grantor or has a guarantee from the grantor. An intangible asset is recognized to the extent that the entity has a right to charge the public for use of the asset.

Philippine Interpretation FRIC 12 is effective on January 1, 2008. The Group is currently assessing the impact of this Interpretation on the Distribution Management Service Agreement (DMSA) of SEZC and the power purchase agreements of its power generation companies namely Luzon Hydro Corporation (LHC) and STEAG State Power, Inc. (STEAG) with the National Power Corporation (NPC).

Philippine Interpretation IFRIC 14, PAS 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

Philippine Interpretation IFRIC 14 was issued in July 2007 and becomes effective for annual periods beginning on or after January 1, 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, Employee Benefits. This Interpretation has no impact on the Group's financial position or performance.

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 provides continuous water flow and thus makes it favorable to all 'run-of-river' hydropower plants' operations.

There were no unexpected seasonal aspects that had a material effect on the Group's financial condition or results of operations.

3. Material Events and Changes

a. APC Dividend Declaration

On February 6, 2008, the Board of Directors (BOD) of the Company approved the declaration of a regular cash dividend of P0.18 a share (P1.324 billion) to all stockholders of record as of February 21, 2008, payable on
March 3, 2008.

b. Acquisition of Minority Interest in Balamban Enerzone, Inc. (BEZC)

On March 7, 2008, Aboitiz Power Corp. (AP) purchased Tsuneishi Holdings (Cebu), Inc.'s 40% equity in BEZC for approximately 178 million to be paid out of the proceeds of the initial public offering of AP. This increases AP's ownership in BEZC to 100%.

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 accelaration 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.

c. Luzon Hydro Corporation Arbitration Settlement

Luzon Hydro Corporation (LHC), the IPP operator of the 70 MW Bakun AC hydro power plant (Bakun AC plant) entered into a Settlement Deed with Transfield Philippines, Inc. (TPI), the EPC contractor of the Bakun AC Plant, contractor of the Bakun AC Plant, for the settlement of all disputes related to the Turnkey Contract of the Bakun AC Plant. LHC is 50% owned by Philippine Hydropower Corporation, a wholly owned holding company of Aboitiz Power Corporation. TPI, on the other hand, is wholly owned by Transfield Holdings Pty Ltd of Australia.

The settlement involving the payment by LHC of the sum of US$14 million to TPI is intended to, without any admission of any liability by any party, fully and finally settle all unperformed and unpaid obligations between the parties under the Turnkey Contract, as well as any and all disputes, allegations, claims and threatened or actual litigation, arbitration or other proceedings between any one or more parties arising out of or related to the Bakun AC Project.

As previously disclosed, the dispute between LHC and TPI arose in connection with the construction of the Bakun AC Plant. The dispute was taken to arbitration before the ICC International Court of Arbitration as provided under the Turnkey Contract. The arbitral tribunal delivered its final award on August 9, 2005 and ruled that TPI was entitled to recover a total of approximately

US$24 million from LHC, net of counterclaim awards.

LHC has appropriately recorded the US$24 million final award as a contingent obligation in 2005 with adequate provisioning for any negative effect on its operating profit and balance sheet. The US$14 million payment of LHC to TPI and the reversal of the provision will result in a net income of approximately US$7.5 million to LHC

d) Hedcor Sibulan Loan Signing

Hedcor Sibulan, Inc., a wholly owned subsidiary of Aboitiz Power Corporation (AP), obtained a P3.5 billion loan from a consortium of local banks composed of the Metropolitan Bank & Trust Company, Rizal Commercial Banking Corporation and Philippine National Bank.

The loan will finance the construction of the 42.5-megawatt Sibulan hydropower project in Sta. Cruz, Davao del Sur which broke ground last September 2007. The Sibulan hydropower project, which is estimated to cost P5.0 billion, involves the construction of two cascading hydropower generating facilities tapping the Sibulan and Baroring rivers in Sibulan, Santa Cruz, Davao del Sur.

e) Acquisition of Cebu Private Power Corporation (CPPC) and East Asia Utilities Corp. (EAUC)

On April 20, 2007, the Company acquired 60% ownership of CPPC from East Asia Utilities Corporation (EAUC) and 50% ownership interest in EAUC from El Paso Philippines Energy Company, Inc.

The fair valuation of the acquirees' assets and liabilities, particularly on the power plant and the customer contracts, was undertaken by the Company. As of the end of 2007, the Company opted to avail of the 12-month period allowed by the standard and followed provisional accounting for the acquisitions of CPPC and EAUC.

The fair values as of March 31, 2007 for CPPC acquisition and included in the consolidated amounts follow:

Cash and cash equivalents	77,856
Receivables	143,367
Spare parts and supplies	82,811
Prepayments and other current assets	85,062
Property, plant and equipment	353,633
Other assets	–
Accounts payable and accrued expenses	314,225
Other liabilities	131,728
Net assets	296,776
Share in net assets acquired	178,066
Total consideration	178,066

The results of the conduct of the valuation did not result to any material change between the provisional fair values as taken and the fair values as finally determined for CPPC.

The fair values as of March 31, 2007 for EAUC acquisition and included in the consolidated amounts follow:

Cash and cash equivalents	292,357
Receivables	133,625
Spare parts and supplies	–
Prepayments and other current assets	1,881,434
Property, plant and equipment	–
Other assets	300,224
Accounts payable and accrued expenses	587,784
Other liabilities	1,570
Net assets	2,018,286
Share in net assets acquired	1,009,143
Total consideration	1,009,143

The results of the conduct of the valuation did not result to any material change between the provisional fair values as taken and the fair values as finally determined for EAUC.

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 CORP. AND SUBSIDIARIES

AGING OF RECEIVABLES

AS OF : JUN 30/2008

	30 Days	60 Days	90 Days	Over 90 Days	Total
A/R - Trade:					
Power Distribution Customers	460,482	80,098	22,591	34,105	597,276
Power Generation Customers	265,023	0	0	37,677	302,700
Management & Other Services Customers	24,323	4,082	1,131	1,403	30,939
Sub-total - A/R - Trade	749,828	84,180	23,722	73,184	930,914
Less : Allowance for Doubful Accounts					16,038
Net Trade Receivables					914,876
A/R - Non Trade	1,026,401	129,491	27,259	463,572	1,646,723
Grand Total	1,776,229	213,671	50,981	536,756	2,561,599

Type of Receivable	Nature / Description	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

NORMAL OPERATING CYCLE

Power Subsidiaries

Distribution - 60 days

Generation - 65 days