COVER SHEET

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S.E.C. Registration Number

ABOITIZ POWER CORPORATION

(Company's Full Name)

ABOITIZ CORPORATE CENTER
GOV. MANUEL A. CUENCO AVENUE,
KASAMBAGAN, CEBU CITY

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

ATTY. LEAH I. GERALDEZ
Contact Person

032-411-1804
Company Telephone Number

Preliminary Information Statement
2010

1 2 / 3 1	2 0 - I S	3rd Monday of May 0 5 / 1 8
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

Total No. of Stockholders	Domestic	Foreign
	x	

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

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NOTICE AND AGENDA OF ANNUAL MEETING OF STOCKHOLDERS

ABOITIZ POWER CORPORATION
Aboitiz Corporate Center,
Gov. Manuel A. Cuenco Avenue
Kasambagan, Cebu City 6000, Philippines

NOTICE is hereby given that the Annual Meeting of the Stockholders of ABOITIZ POWER CORPORATION will be held on May 17, 2010 at 11:00 a.m. at the Grand Ballroom of the Cebu City Marriott Hotel, Cebu Business Park, Cebu City.

The Agenda of the meeting is as follows:

1. Call to Order
2. Proof of Notice of Meeting
3. Determination of Quorum
4. Reading and Approval of the Minutes of the Previous Stockholders' Meeting held last May 18, 2009
5. Presentation of the President's Report
6. Approval of the 2009 Annual Report and Financial Statements
7. Delegation of the Authority to Elect the Company's External Auditors for 2010 to the Board of Directors
8. Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management from May 18, 2009 up to May 17, 2010
9. Approval of the Directors' Compensation and Per Diem for 2010
10. Election of the Members of the Board of Directors
11. Other Business
12. Adjournment

Only stockholders of record at the close of business on April 8, 2010 are entitled to notice and to vote at this meeting. Registration will start at 9:00 a.m. and will end at 11:00 a.m. Kindly present any proof of identification, such as driver's license, passport, company I.D. or SSS/GSIS I.D. Aside from personal identification, representatives of corporate stockholders and other entities should also present a duly sworn Secretary's Certificate or a similar document showing his or her authority to represent the corporation or entity.

Should you be unable to attend the meeting, you may want to execute a proxy in favor of a representative. In accordance with the amended By-Laws of the Corporation, proxies must be presented to the Secretary for inspection, validation and record at least seven (7) days prior to the opening of the Stockholders' Meeting. We enclose a proxy form for your convenience.

For those unable to attend the Stockholders' Meeting in Cebu, a Stockholders' Briefing will be conducted in Manila on May 19, 2010, 4:00 p.m., at the Mandarin Ballroom, Mandarin Oriental Hotel, Makati City.

For the Board of Directors.

M. Jasmine S. Oporto

M. JASMINE S. OPORTO
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [✓] Preliminary Information Statement
   [] Definitive Information Statement

2. Name of Registrant as specified in its charter **ABOITIZ POWER CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization **Cebu, Philippines**

4. SEC Identification Number **C199800134**

5. BIR Tax Identification Code **200-652-460**

6. Address of principal office: **Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City, 6000 Philippines**

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

8. Date, time and place of the meeting of security holders

   Date: **17 May 2010**
   Time: **11 o'clock a.m.**
   Place: **Grand Ballroom, Cebu City Marriott Hotel, Cebu Business Park, Cebu City, Cebu**

9. Approximate date when the Information Statement is first to be sent or given to security holders April 26, 2010

10. In case of Proxy Solicitations: NA

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the Revised Securities Act (information on number of shares and amount of debt is applicable only to corporate registrants):

    Authorized Capital Stock ₱17,000,000,000.00

Title of Each Class	Par Value	No. of Shares	Authorized Capital Stock
Common	₱1.00	16,000,000,000	₱16,000,000,000
Preferred	₱1.00	1,000,000,000	₱1,000,000,000
Total		17,000,000,000	₱17,000,000.00

No. of Common Shares Outstanding
as of February 28, 2010 7,358,604,307

Amount of Debt Outstanding
as of December 31, 2009 ₱[•]

12. Are any or all of registrant's securities listed on a Stock Exchange?

Yes X No ____

The common stock of the Corporation is listed on the Philippine Stock Exchange.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of annual stockholders' meeting

Date of meeting	:	**May 17, 2010**
Time of meeting	:	**11 o'clock a.m.**
Place of meeting	:	**Grand Ballroom, Cebu City Marriott Hotel, Cebu Business Park, Cebu City**
Approximate mailing date of this statement	:	**April 26, 2010**
Complete mailing address of the principal office of the registrant	:	**Aboitiz Corporate Center Gov. Manuel A. Cuenco Avenue Kasambagan, Cebu City 6000 Philippines**

Item 2. Dissenter's Right of Appraisal

There are no matters or proposed actions included in the Agenda of the Meeting that may give rise to a possible exercise by stockholders of their appraisal rights. Generally, however, the stockholders of Aboitiz Power Corporation (hereinafter referred to as AP or the Company or the Registrant) have the right of appraisal in the following instances: (a) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and (c) in case of merger or consolidation.

Any stockholder who wishes to exercise his appraisal right must have voted against the proposed corporate action. He must also make a written demand on AP, within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of such appraisal right. If the proposed corporate action is implemented or effected, AP shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof, as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within a period of sixty days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and AP cannot agree on the fair value of the shares, it shall be determined and appraised by three disinterested persons, one of whom shall be named by the stockholder, another by AP, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by AP within thirty days after such award is made. No payment shall be made to any dissenting stockholder unless AP has unrestricted retained earnings in its books to cover such payment. Upon payment by AP of the agreed or awarded price, the stockholder shall forthwith transfer his shares to AP.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) No current director or officer of AP, or nominee for election as director of AP, or any associate of any of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting, other than election to office and the approval of director's compensation and per diem. The latter shall benefit the shareholders elected as directors for the ensuing year.

(b) No director has informed AP in writing that he intends to oppose any action to be taken by AP at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of Voting Shares as of February 28, 2010:

Class of Voting Shares	No. of Shares Entitled to Vote
Common Shares	7,358,604,307

Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

(b) Record Date: April 8, 2010

All stockholders of record as of April 8, 2010 are entitled to notice and to vote at AP's Annual Stockholders' Meeting.

(c) Election of Directors and Cumulative Voting Rights

With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected. He may also cumulate said shares and give one candidate as many votes as the number of directors to be elected, or distribute the shares on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by the stockholder shall not exceed the total number of shares owned by him as shown in the books of AP, multiplied by the number of directors to be elected.

Article 1 Section 5 of the amended By-Laws of AP provides that voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita. Likewise, Section 6 of the same Article states that stockholders may vote at all meetings either in person or by proxy duly given in writing and presented to the Secretary for inspection, validation and record at least seven (7) days prior to the opening of said meeting. A proxy bearing a signature that is not legally acknowledged shall not be recognized by the Secretary.

Section 7, Article I of the amended By-Laws provides that nominations for the election of directors for the ensuing year must be received by the Corporate Secretary no less than fifteen (15) working days prior to the annual meeting of stockholders, except as may be provided by the Board of Directors in appropriate guidelines that it may promulgate from time to time in compliance with law.

No discretionary authority to cumulate votes is solicited.

(d) No proxy solicitation is being made.

(1) Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners (more than 5%) as of February 28, 2010:

Title of Class	Name/Address of Stockholder and Beneficial Owner	Relationship with AP	Citizenship	No. of Shares and Nature of Ownership (Record or Beneficial)	Percent of Class
Common	**1. Aboitiz Equity Ventures, Inc.**[1] Aboitiz Corporate Center Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City 6000	Stockholder	Filipino	5,622,113,063 (Record)	76.40%
Common	**2. PCD Nominee Corp.**	Stockholder	Filipino	917,426,546 (Record)	12.47%
Common	**3. PCD Nominee Corp.**	Stockholder	Non-Filipino	522,274,900 (Record)	7.10%

Aboitiz Equity Ventures, Inc. (AEV) is the public holding and management company of the Aboitiz Group, one of the largest conglomerates in the Philippines. As of February 28, 2010, the following entities own five per centum (5%) or more of AEV:

Title of Class	Name/Address of Stockholder and Beneficial Owner	Citizenship	No. of Shares and Nature of Ownership (Record or Beneficial)	Percent of Class
Common	**1. Aboitiz & Company, Inc.** Aboitiz Corporate Center Gov. Manuel A. Cuenco Avenue Kasambagan, Cebu City 6000	Filipino	2,660,600,915(Record)	48.18%
Common	**2. PCD Nominee Corporation**	Filipino	582,764,332 (Record)	10.55%
Common	**3. Ramon Aboitiz Foundation, Inc.** 35 Lopez Jaena St., Cebu City, 6000	Filipino	420,915,863 (Record)	7.62%
Common	**4. PCD Nominee Corporation**	Non-Filipino	403,286,564 (Record)	7.30%

[1] Mr. Erramon I. Aboitiz, President and Chief Executive Officer of Aboitiz Equity Ventures, Inc. (AEV), will vote the shares of AEV in AP in accordance with the directive of the AEV Board of Directors.

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(2) Security Ownership of Management as of February 28, 2010(Record and Beneficial)

Title of Class	Name of Beneficial Owner and Position	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
Common	Mr. Enrique M. Aboitiz Jr. Chairman of the Board of Directors	482,931	Direct	Filipino	0.01%
		3,217,888	Indirect		0.04%
Common	Mr. Jon R. Aboitiz Vice Chairman	1	Direct	Filipino	0.00%
		7,759,020	Indirect		0.11%
Common	Mr. Erramon I. Aboitiz President and Chief Executive Officer	1	Direct	Filipino	0.00%
		9,075,000	Indirect		0.12%
Common	Mr. Mikel A. Aboitiz Director	1	Direct	Filipino	0.00%
		7,398,570	Indirect		0.10%
Common	Mr. Antonio R. Moraza Director/Executive Vice President & Chief Operating Officer – Power Generation Group	1	Direct	Filipino	0.00%
		28,201,677	Indirect		0.38%
Common	Mr. Jaime Jose Y. Aboitiz Director/ Executive Vice President & Chief Operating Officer – Power Distribution Group	2,362,500	Direct	Filipino	0.03%
		1,660,040	Indirect		0.02%
Common	Mr. Jose R. Facundo Independent Director	1,000	Direct	Filipino	0.00%
Common	Mr. Romeo L. Bernardo Independent Director	1,000	Direct	Filipino	0.00%
Common	Mr. Juan Antonio E. Bernad Executive Vice President– Strategy and Regulation	520,001	Direct	Filipino	0.01%
Common	Mr. Luis Miguel Aboitiz Senior Vice President – Power Marketing and Trading	2,060,000	Direct	Filipino	0.03%
Common	Mr. Iker M. Aboitiz First Vice President/CFO/Corporate Information Officer	2,894,466	Direct	Filipino	0.04%
Common	Mr. Gabriel T. Mañalac First Vice President – Treasurer	50,000	Direct	Filipino	0.00%
N/A	Mr. Raymond E. Cunningham First Vice President – Business Development	0	N/A	Filipino	0.00%
Common	Mr. Wilfredo R. Bacareza, Jr. Vice President	300,000	Direct	Filipino	0.00%
Common	Mr. Benjamin A. Cariaso, Jr. Vice President – Business Development	224,137	Direct	Filipino	0.00%
		168,103	Indirect		0.00%
Common	Mr. Alvin S. Arco Vice President – Regulatory Affairs	112,069	Direct	Filipino	0.00%
Common	Mr. Anastacio D. Cubos, Jr. Vice President – Special Projects	112,069	Direct	Filipino	0.00%
Common	Mr. Raul C. Lucero	110,000	Direct	Filipino	0.00%

Title of Class	Name of Beneficial Owner and Position	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
	Vice President for Engineering- Power Distribution Group				0.00%
Common	Ms. Ma. Chona Y. Tiu Vice President and Chief Financial Officer- Power Distribution Group	112,070	Direct	Filipino	0.00%
		100,000	Indirect		0.00%
N/A	Mr. Manuel R. Lozano Chief Financial Officer, AP Generation	0	N/A	Filipino	0.00%
Common	Mr. Carlos Copernicus S. Payot Assistant Vice President – Controller for Distribution	56,000	Direct	Filipino	0.00%
Common	Mr. Clovis B. Racho Assistant Vice President for Procurement and Logistics- Power Distribution Group	56,034	Direct	Filipino	0.00%
Common	Mr. Aladino B. Borja Jr. Assistant Vice President for Information Services- Power Distribution Group	56,034	Direct	Filipino	0.00%
N/A	Mr. Ronald Enrico V. Abad Assistant Vice President – Project Development	0	N/A	Filipino	0.00%
N/A	Mr. Crisanto R. Laset Jr. Assistant Vice President for Power Economics & Distribution System Planning	0	N/A	Filipino	0.00%
Common	Ms. Katrina M. Platon Assistant Vice President for Legal and Regulatory Affairs	26,896	Direct	Filipino	0.00%
Common	Ms. Analiza M. Aleta Assistant Vice President – IT Director, AP Generation	44,827	Direct	Filipino	0.00%
Common	Ms. Arazeli L. Malapad Assistant Vice President for Accounting of AP Generation – Luzon	7,000	Direct	Filipino	0.00%
N/A	Ms. Paquita S. Tigue – Rafols Assistant Vice President AP Generation – Mindanao	0	N/A	Filipino	0.00%
N/A	Ms. Ma. Kristina C.V. Rivera Assistant Vice President – HRQ, AP Generation	0	N/A	Filipino	0.00%
N/A	Juan Manuel J. Gatmaitan Assistant Vice President for Power Marketing	0	N/A	Filipino	0.00%
Common	Ms. Susan S. Policarpio Assistant Vice President-Government Relations	44,827	Direct	Filipino	0.00%
Common	Ms. M. Carmela N. Franco Assistant Vice President-Investor Relations	44,000	Direct	Filipino	0.00%
Common	Ms. Cristina B. Beloria	20,000	Direct	Filipino	

Title of Class	Name of Beneficial Owner and Position	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
	Assistant Vice President-Controller				0.00%
Common	Mr. Joseph Trillana T. Gonzales Assistant Corporate Secretary	62,527	Direct	Filipino	0.00%
Common	Ms. M. Jasmine S. Oporto Corporate Secretary	149,000	Direct	Filipino	0.00%
	TOTAL	**67, 489,690**			**0.92 %**

(3) Voting Trust Holders of 5% or More of Common Equity

No person holds more than five per centum (5%) of AP's common equity under a voting trust or similar agreement.

(4) Changes in Control

There are no arrangements that may result in a change in control of AP during the period covered by this report.

Item 5. Directors and Executive Officers

(a) (1) Directors for 2009-2010

Below is a list of AP's directors for 2009-2010 with their corresponding positions and offices held for the past five years. Except for Mr. Jakob Disch who was elected last March 10, 2010 to serve the unexpired term of the late Mr. Ernesto R. Aboitiz, the directors assumed their directorship during AP's annual stockholders' meeting in 2009 for a term of one year.

ENRIQUE M. ABOITIZ, JR., Chairman of the Board of Directors Chairman – Board Strategy Committee Member – Board Corporate Governance Committee	Mr. Enrique M. Aboitiz, Jr., Filipino, 56 years old, has served as Director of Aboitiz Equity Ventures, Inc. (AEV) since 1994. He is also Director and Senior Vice President of Aboitiz and Company, Inc. (ACO); Director of Aboitiz One, Inc. (AOI), AP Renewables, Inc. (APRI) and Manila Oslo Renewable Enterprise (MORE); President and Chief Executive Officer of Aboitiz Transport System (ATSC) Corporation (ATSC); President of Aboitiz Jebsen Bulk Transport Corporation (ABOJEB), EMS Crew Management Philippines, Inc.; President and Chairman of Jebsens Maritime, Inc.; Chairman of the Board of Filscan Shipping Inc., General Charterer Inc., Overseas Bulk Transport, Inc. and Viking International Carriers, Inc. He graduated with a degree of Bachelor of Science in Business Administration (Major In Economics) from Gonzaga University, Spokane, Washington, U.S.A.
JON RAMON ABOITIZ Vice Chairman of the Board of Directors Chairman – Board Corporate Governance Committee Member – Board Strategy Committee,	Mr. Aboitiz, Filipino, 61 years old, served as Chairman of AP from 1998 until 2008. He had served in various capacities in Davao Light & Power Company Inc. (DLP) since 1972: Director from 1972 to present, Chairman of the Board from 1986 to 1987, President and Chairman of the Board from 1988 to 2001, President and Chief Executive Officer in 2002 and Chairman and Chief Executive Officer from 2003 until March 2009. He also served in CLP in the following capacities: Chairman of the Board from 1980 to 1987, President and Chairman of the Board from 1988 to 1990, Chairman of the Board and Chief Executive Officer from 1991 to 1997, Chairman of the Board from 1998 to 1999. He was also Director of San Fernando Electric

	Light and Power Company Inc. (SFELAPCO) from 2002 to 2008. He is also Chairman of the Board of Directors of AEV, ACO, ABOJEB and ATSC, Vice Chairman of the Board of Directors of Union Bank of the Philippines (UBP) and City Savings Bank (CSB); President and Trustee of Aboitiz Foundation, Inc.; and Trustee and Vice President of the Ramon Aboitiz Foundation, Inc. He holds a degree in Commerce from the University of Santa Clara in California, U.S.A.
ERRAMON I. ABOITIZ President & Chief Executive Officer; Member – Board Strategy Committee, Board Risk Management Committee	Mr. Aboitiz, Filipino, 53 years old, has been a Director and the President/Chief Executive Officer of AP since 1998. He is presently Chairman of the Board of DLP, which he has served in various capacities since 1983: as Treasurer from 1983 to 1987, as Executive Vice President/Treasurer from 1988 to 1989, and as Executive Vice President from 1990. He has been a Director of SFELAPCO since 2002 and its Chairman of the Board from 2003 to the present. He is also Chairman of the Board of CLP, which he also served in the following capacities since 1980 up to the present: Executive Vice President/Treasurer from 1988 to 1990, President and Chief Operating Officer from 1991 to 1999, Chairman of the Board from 2000 to present. He is also currently the President and Chief Executive Officer of AEV and ACO. He is Chairman of the Board of Directors of Subic Enerzone Corporation (SEZ), Balamban Enerzone Corporation (BEZ), Mactan Enerzone Corporation (MEZ), SN Aboitiz Power-Magat, Inc. (SNAP-Magat), SN Aboitiz Power-Benguet, Inc. (SNAP-Benguet), Manila-Oslo Renewable Enterprise, Inc. (MORE), Abovant Holdings, Inc. (ABOVANT), Cotabato Light & Power Company, Philippine Hydropower Corporation (PHC), Therma Power, Inc. (TPI), Therma Marine, Inc., Visayan Electric Company, Inc. (VECO), San Fernando Electric Light and Power Company, City Savings Bank and and Davao Light & Power Company, Inc. (DLP); Director of Pilmico Foods Corporation (PFC), Aboitiz Land, Inc., Union Bank of the Philippines (UBP), Southern Philippines Power Corporation (SPPC), STEAG State Power, Inc. and Aboitiz Energy Solutions Inc. (AESI); and Chairman of the Board of Trustees of Aboitiz Foundation. He received a Bachelor of Science degree in Business Administration, major in Accounting and Finance from Gonzaga University, Spokane, Washington, U.S.A.
MIKEL A. ABOITIZ Director; Member – Board Strategy Committee, Board Audit Committee	Mr. Aboitiz, Filipino, 55 years old, has been a Director of AP since 1998. He has also been a Director of CLP since 1980 and DLP since 1993. He is also a Director and Senior Vice President, Chief Information Officer and Chief Strategy Officer of AEV; Director and Senior Vice President for Strategy of ACO; President & Chief Executive Officer of CSB; Director of Davao Light & Power Company, Inc., Aboitiz Land, Inc., FBMA Marine, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Cebu Praedia Development Corporation, Aboitiz Construction Group, Inc., AP Renewables, Inc., AEV Aviation, Inc., Metaphil International, Inc., Therma Power, Inc., Therma Marine, Inc., and Cotabato Light & Power Company. He holds a degree in Bachelor of Science major in Business Administration from Gonzaga University, Spokane, U.S.A.
JAIME JOSE Y. ABOITIZ Director; Executive Vice President & Chief Operating Officer – Power Distribution Group	Mr. Aboitiz, Filipino, 48 years old, has been a member of the AP Executive Committee since 2000 and a Director of AP from 2004 to April 2007. He is also the Executive Vice President and Chief Operating Officer of VECO; President and Chief Executive Officer of CLP, SEZ, DLP and Cotabato Ice Plant. Inc. (CIPI); Mactan Enerzone Corporation, Balamban Enerzone Corporation Director of Philippine Hydropower Corporation, Hedcor

	Sibulan, Inc., Cebu Private Power Corporation, San Fernando Electric Light and Power Company, Hedcor, Inc. and Aboitiz Energy Solutions, Inc. He holds a degree in Mechanical Engineering from Loyola Marymount University in California and a master's degree in Management from the Asian Institute of Management.
ANTONIO R. MORAZA Director; Executive Vice President & Chief Operating Officer – Power Generation Group; Chairman – Board Risk Management Committee;	Mr. Moraza, Filipino, 53 years old, has been a Director of AP since 1999. He is a Director of AEV, Metaphil International, Inc., STEAG State Power, Inc., Western Mindanao Power Corporation (WMPC), Luzon Hydro Corporation (LHC), VECO; President and CEO of PHC and ABOVANT; Chairman of the Board of Directors of AP Renewables Inc. (APRI), East Asia Utilities Corporation (EAUC), PFC and PANC; Chairman and CEO of Hedcor Sibulan, Inc., and Hedcor, Inc.; Chairman and President of Cebu Private Power Corporation (CPPC); Vice-Chairman of Aboitiz Construction Group Inc. (ACGI) and Aboitiz Land, Inc.; President of Therma Power, Inc. (TPI), Therma Marine, Inc., SNAP-Magat, SNAP-Benguet, MORE; Director and Senior Vice President of ACO, Chairman of Terminal Facilities & Services Corporation. From 1982 up to 1992, he was Vice President for Administration and Finance of Metaphil, Inc., an ACO subsidiary engaged in industrial construction. He holds a degree in Business Management from the Ateneo de Manila University and attended the Asian Institute of Management.
JOSE R. FACUNDO Independent Director; Chairman- Board Audit Committee; Member – Board Risk Management Committee, Board Corporate Governance Committee	Mr. Facundo, Filipino, 71 years old, currently serves as an Adviser and member of the Board of Directors of Security Bank Corporation. He is also a member of the Board of Directors of Siemens Philippines, Inc., and an Independent Director of Alaska Milk Corp. Mr. Facundo has an extensive career in banking. He served as a member of the Board of Directors and Executive Committee and as President of BPI Capital Corporation. He was also a member of the Board of Directors and Executive Committee of the Bank of the Philippine Islands (BPI). Prior to BPI's merger with CityTrust Banking Corp. (CityTrust), Mr. Facundo served as President and CEO of CityTrust and was a member of its board and executive committees. He was also a Senior Managing Director of Ayala Corporation and formerly a Senior Officer of Citibank Manila. He also served as member of the Board of Directors of Temic Phil. Inc, and Chairman and member of the Board of Directors of the Philippine Clearing House. He is likewise a member of the Philippine Business for Social Progress, Junior Achievement of the Philippines and the Rotary Club. He holds a degree in B. A. Engineering and a postgraduate degree in Mathematics and Statistics.
ROMEO L. BERNARDO Independent Director; Member – Board Audit Committee, Board Corporate Governance Committee	Mr. Bernardo, Filipino, 55 years old, is currently the President of Lazaro Bernardo Tiu and Associates (LBT), a boutique financial advisory firm based in Manila. He is also GlobalSource economist in the Philippines. He does World Bank and Asian Development Bank-funded policy advisory work, Chairman of ALFM Peso, Dollar and Euro Bond Funds, and Philippine Stock Index Fund, the largest mutual fund family in the country. He is likewise a Director of several companies and organizations including Globe Telecom, Bank of the Philippine Islands, NASDAQ-listed PSi Technologies Holdings, Inc., RFM Corporation, Philippine Investment Management, Inc., Philippine Institute for Development Studies (PIDS), Ayala Life Assurance Incorporated/Ayala Plans, Inc.,National Reinsurance Corporation of the Philippines and Institute for Development and Econometric Analysis.He previously served as Undersecretary of Finance and as Executive Director of the Asian Development Bank. He was an

	Advisor of the World Bank and the IMF (Washington D.C.), and served as Deputy Chief of the Philippine Delegation to the GATT (WTO), Geneva. He was formerly President of the Philippine Economics Society; Chairman of the Federation of ASEAN Economic Societies and a Faculty Member (Finance) of the University of the Philippines. Mr. Bernardo holds a degree in Bachelor of Science in Business Economics from the University of the Philippines (magna cum laude) and a Masters degree in Development Economics at Williams College (Top of the Class) from Williams College in Williamstown, Massachusetts.
JAKOB DISCH Independent Director	Mr. Disch, 55 years old, a Swiss national, is the Chairman, Chief Executive Officer and Founder of Convergence GmbH, an energy consulting and trading firm located at Wintherthur, Switzerland. He gained extensive experience in the energy business from serving in various capacities in the ABB group of companies, among others as President for Global Responsibility of ABB Enertech Ltd.; Executive Vice President of Power Generation and Member of the Asia Pacific Regional Management of ABB Asia Pacific Ltd.; Chairman of the Board of ABB India and Singapore; President of ABB Power Generation Sdn. Bhd in Malaysia; and Vice President for Marketing, Sales and Project Management of ABB Kraftwerke AG of Baden, Germany.

Nominations for Independent Directors and Procedure for Nomination

The procedure for the nomination and election of the independent directors is in accordance with SRC Rule 38 of the Securities Regulation Code (SRC Rule 38) and AP's "Guidelines for the Constitution of the Nomination Committee and the Nomination and Election of Independent Directors" (the Guidelines). These Guidelines were duly approved by the AP Board.

Nominations for independent directors were accepted starting January 1, 2010 as provided for in Section 2 of the Guidelines and the table for nominations was closed on February 15, 2010 as provided for in Section 3 of the Guidelines.

SRC Rule 38 and the Guidelines further require that the Board Corporate Governance Committee shall meet to pre-screen all nominees and submit a Final List of Candidates to the Corporate Secretary no later than February 22, 2010. Such Final List will be included in the Corporation's Preliminary and Definitive Statements. Only nominees whose names appear on the Final List shall be eligible for election as independent directors. No other nominations shall be entertained after the Final List of nominees has been prepared. The name of the person or group of persons who recommend the nomination of an independent director shall be identified in such report including any relationship with the nominee. All these procedures were complied with.

In approving the nominations for Independent Directors, the Board Corporate Governance Committee considered the guidelines on the nominations of Independent Directors prescribed in SRC Rule 38, the Guidelines and AP's Revised Manual on Corporate Governance.

No nominations for independent director shall be accepted at the floor during the stockholders' meeting at which such nominee is to be elected. However, independent directors shall be elected in the stockholders' meeting during which other members of the Board are to be elected.

Messrs. Jose R. Facundo, Romeo L. Bernardo and Jakob Disch are the nominees for Independent Directors of AP. They are neither officers nor employees of AP or its affiliates, and do not have any relationship with AP which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Attached as annexes "A-1", "A-2" and "A-3" are the Certifications of Qualification of the Nominees for Independent Directors.

AP stockholders Esmeralda Dano, Joanna Abay and Maricar Le have respectively nominated Messrs. Facundo, Bernardo and Disch as AP's independent directors. Neither nominating stockholder has any relation to Mr. Facundo, Mr. Bernardo or Mr. Disch.

Other Nominees for Election as Members of the Board of Directors

As conveyed to the Corporate Secretary, the following have also been nominated as members of the Board of Directors for the ensuing year (2010-2011):

Jon Ramon Aboitiz
Erramon I. Aboitiz
Antonio R. Moraza
Mikel A. Aboitiz
Enrique M. Aboitiz Jr.
Jaime Jose Y. Aboitiz

Pursuant to Sec. 7, Art. I of the Amended By-Laws of AP, nominations for members of the Board of Directors other than Independent Directors for the ensuing year must be received by the Corporate Secretary no less than fifteen (15) working days prior to the regular annual stockholders' meeting on May 17, 2010

Except for the information regarding which are found hereunder, information regarding the positions and offices held by the abovementioned nominees are integrated in Item 5 (a)(1) hereof.

Officers for 2009-2010

Below is a list of AP's officers for 2009-2010 with their corresponding positions and offices held for the past five years. The officers assumed their positions during AP's annual organizational meeting in 2009 for a term of one year.

ERRAMON I. ABOITIZ President & Chief Executive Officer; Member – Board Strategy Committee, Board Risk Management Committee	Mr. Aboitiz, Filipino, 53 years old, has been a Director and the President/Chief Executive Officer of AP since 1998. He is presently Chairman of the Board of DLP, which he has served in various capacities since 1983: as Treasurer from 1983 to 1987, as Executive Vice President/Treasurer from 1988 to 1989, and as Executive Vice President from 1990. He has been a Director of SFELAPCO since 2002 and its Chairman of the Board from 2003 to the present. He is also Chairman of the Board of CLP, which he also served in the following capacities since 1980 up to the present: Executive Vice President/Treasurer from 1988 to 1990, President and Chief Operating Officer from 1991 to 1999, Chairman of the Board from 2000 to present. He is also currently the President and Chief Executive Officer of AEV and ACO. He is Chairman of the Board of Directors of Subic Enerzone Corporation (SEZ), Balamban Enerzone Corporation (BEZ), Mactan Enerzone Corporation (MEZ), SN Aboitiz Power-Magat, Inc. (SNAP-Magat), SN Aboitiz Power-Benguet, Inc. (SNAP-Benguet), Manila-Oslo Renewable Enterprise, Inc. (MORE), Abovant Holdings, Inc. (ABOVANT), Cotabato Light & Power Company, Philippine Hydropower Corporation (PHC), Therma Power, Inc. (TPI), Therma Marine, Inc., Visayan Electric Company, Inc. (VECO), San Fernando Electric Light and Power Company, City Savings Bank and and Davao Light & Power Company, Inc. (DLP); Director of Pilmico Foods Corporation (PFC), Aboitiz Land, Inc., Union Bank of the Philippines (UBP), Southern Philippines Power Corporation (SPPC), STEAG State Power, Inc. and Aboitiz Energy Solutions Inc. (AESI); and Chairman of the Board of Trustees of Aboitiz Foundation. He received a Bachelor of Science degree in Business Administration, major in Accounting and Finance from Gonzaga

	University, Spokane, Washington, U.S.A.
ANTONIO R. MORAZA Director; Executive Vice President & Chief Operating Officer – Power Generation Group; Chairman – Board Risk Management Committee;	Mr. Moraza, Filipino, 53 years old, has been a Director of AP since 1999. He is a Director of AEV, Metaphil International, Inc., STEAG State Power, Inc., Western Mindanao Power Corporation (WMPC), Luzon Hydro Corporation (LHC), VECO; President and CEO of PHC and ABOVANT; Chairman of the Board of Directors of AP Renewables, Inc. (APRI), East Asia Utilities Corporation (EAUC), PFC and PANC; Chairman and CEO of Hedcor Sibulan, Inc., and Hedcor, Inc.; Chairman and President of Cebu Private Power Corporation (CPPC); Vice-Chairman of Aboitiz Construction Group Inc. (ACGI) and Aboitiz Land, Inc.; President of Therma Power, Inc. (TPI), Therma Marine, Inc., SNAP-Magat, SNAP-Benguet, MORE; Director and Senior Vice President of ACO, Chairman of Terminal Facilities & Services Corporation. From 1982 up to 1992, he was Vice President for Administration and Finance of Metaphil, Inc., an ACO subsidiary engaged in industrial construction. He holds a degree in Business Management from the Ateneo de Manila University and attended the Asian Institute of Management.
JAIME JOSE Y. ABOITIZ Director; Executive Vice President & Chief Operating Officer – Power Distribution Group	Mr. Aboitiz, Filipino, 48 years old, has been a member of the AP Executive Committee since 2000 and is AP Director from 2004 to April 2007 and was re-elected last May 18, 2009. Between 2000 and 2005 he served as CLP Director, Executive Vice President and Chief Operating Officer. He is also President and Chief Executive Officer of SEZ, CLP, DLP and CIPI; President of AESI, MEZ and BEZ. He is the Executive Vice President and Chief Operating Officer of VECO. He is also the Director of PHC, Hedcor Sibulan, Inc., CPPC, SFELAPCO and Hedcor, Inc. He holds a degree in Mechanical Engineering from Loyola Marymount University in California and a master's degree in Management from the Asian Institute of Management.
JUAN ANTONIO E. BERNAD Executive Vice President – Strategy and Regulation Ex-Officio Member – Board Audit Committee, Board Strategy Committee, Board Risk Management Committee	Mr. Bernad, Filipino, 53 years old, served as AP Director since 1998 until May 18, 2009. He was AP Executive Vice President/Chief Financial Officer/Treasurer from 1998 to 2003 and has been AP's Executive Vice President for Regulatory Affairs/Chief Financial Officer from 2004 to 2007. He was Senior Vice President – Electricity Regulatory Affairs of AEV since 2004 to May 2007 and mainly as AEV's Senior Vice President effective May 21, 2007. From 1995 to 2004, he was Senior Vice President and Chief Financial Officer of AEV. From 1992 to 1995 he was Vice President/Treasurer of DLP, and a DLP Director and its Senior Vice President/Chief Financial Officer from 1996 to 2008. He is now Executive Vice President-Regulatory Affairs of DLP. He was also Vice President/Treasurer of CLP between 1992 and 1997 and Senior Vice President/Chief Operating Officer from 1998 to 2008. He is also the Senior Vice President of VECO; Director of CLP, Southeast Asia Orient Corporation, AEV Aviation, Inc., AP Renewables, Inc., SFELAPCO, UBP; He is also the Director and Executive Vice President for Regulatory Affairs of DLP; Director and Vice President of CPDC and Vice President and Treasurer of CIPI; Chairman of the Board of Trustees of ACO Retirement Fund and Trustee of Aboitiz Foundation. He has a degree in Economics from the Ateneo de Manila University and a master's degree in Business Administration at The Wharton School, University of Pennsylvania, U.S.A.
LUIS MIGUEL O. ABOITIZ Senior Vice President – Power Marketing and Trading	Mr. Aboitiz, Filipino, 45 years old, has been AP Director and Vice President for Power Generation from 1998 to April 2007. Between 1990 to 1992, he was Assistant Vice President of DLP, and Director since 1996. He was also

	a Director of CLP from 1998 to 2001; First Vice President of AEV and ACO; Director and Senior Vice President – Business Development of Hedcor, Inc.; Director and Vice President/Treasurer of PHC; Director of SEZ, APRI, PANC, PFC, SNAP-Benguet, SNAP-Magat, MORE, DLP, ABOVANT, Hedcor Sibulan, Inc., SFELAPCO, STEAG State Power, Inc., and WMPC. He is also the Director and Treasurer of Hedcor Tamugan, Inc.; Director and Vice President of Therma Power, Inc. and Therma Marine, Inc.; Vice President for Open Market Operations of AESI and Treasurer of LHC. He holds a degree in Computer Science and Engineering from Santa Clara University, California, U.S.A. and a masters degree in Business Administration from the University of California at Berkeley, U.S.A.
IKER M. ABOITIZ First Vice President/Chief Financial Officer/Corporate Information Officer	Mr. Aboitiz, Filipino, 37 years old, has been AP's First Vice President and Chief Financial Officer since August 29, 2007. He likewise acts as AP's Corporate Information Officer. He is currently a Director and Chief Financial Officer of ABOVANT, and CPPC; Chief Financial Officer of EAUC, Chief Financial Officer and Treasurer of Hijos de F. Escaño; Director of FBMA, CLP, SPPC, Hedcor Benguet, Inc., TPI, Therma Marine, Inc. and PHC. Mr. Iker Aboitiz has an extensive professional experience in corporate finance within and outside the Aboitiz Group. Prior to his appointment as Chief Financial Officer, he was the Chief Financial Officer of ACGI and a member of the Board of Directors and Chief Financial Officer of FBMA Marine, Inc. He graduated Cum Laude from Boston College with a degree in Bachelor of Science in Business Management major in Finance.
GABRIEL T. MAÑALAC First Vice President-Treasurer	Mr. Mañalac, Filipino, 53 years old, has been the Treasurer of AP since 2004 and is now its First Vice President-Treasurer. He was Treasurer of DLP from 1999 to 2001 and DLP Vice President-Treasurer since 2002. He has been Treasurer of CLP since 2000. He is also Senior Vice President - Group Treasurer of AEV He is also a Trustee of ACO Retirement Fund. Mr. Mañalac graduated Cum Laude from the De La Salle University with degrees in Bachelor of Science in Finance and Bachelor of Arts in Economics. He obtained his Masters of Business Administration in Banking and Finance from the Asian Institute of Management and was awarded the Institute's Scholarship for Merit.
RAYMOND E. CUNNINGHAM First Vice President – Business Development	Mr. Cunningham, American, 67 years old, has extensive experience in the power industry in the Philippines and the US, especially in power project planning, regulatory approvals, financing, design, construction and operations. He was previously Business Development, Acquisitions and Special Projects Manager of CalEnergy International Services, Senior Vice President and Project Director of San Roque Power Corporation, Vice President of AT&T Capital Corporation and Vice President for Engineering & Operations of Consolidated Power Company. He graduated in Bachelor of Science in Engineering from the US Coast Guard Academy. He also earned a Naval Engineering degree and a Masters of Science in Mechanical Engineering from the Massachusetts Institute of Technology.
BENJAMIN A. CARIASO, JR. Vice President - Business Development	Mr. Cariaso, Filipino, 54 years old, has been Vice President for Business Development of AP since April 2007. He has also been Executive Vice President and Chief Operating Officer of AESI since 2004 and was Vice President for Business Development from 1998 to 2003. He has been Executive Vice President and Chief Operating Officer of SEZ since 2005. He served as Director of SEZ in 2003 to 2004 and from 2005 to present. He was appointed as Executive Vice President and Chief Operating Officer of MEZ and BEZ since 2007. He has been a Director of CSB since October 1, 2007. He is also the Vice President of DLP. Prior to his transfer to AEV in

	1998, Mr. Cariaso was connected with the transport affiliates of AP, first with Aboitiz Shipping Corporation from 1976 to 1990 and later with Aboitiz Transport System (ATSC) Corporation where he served as Senior Vice President from 1995 to 1998. Mr. Cariaso has a degree in Industrial Engineering from the University of the Philippines and a Master's Degree in Business Management from the same university.
MA. CHONA Y. TIU Vice President and Chief Financial Officer – Power Distribution Group	Ms. Tiu, Filipino, 52 years old joined the Aboitiz Group in 1977 as Research Assistant of the Corporate Staff Department of ACO. She rose from the ranks and held various finance positions in different companies within the Aboitiz Group including ACGI and Aboitiz Land, Inc. She joined the AP Group when she was appointed as Vice President – Administration and Chief Finance Officer of AP affiliate, VECO in 2007. She is now a Director, Vice President/Chief Financial Officer/ Treasurer of BEZ; Vice President – Chief Financial Officer of CLP and DLP; and Director, Vice President and Treasurer of CSB Land, Inc.
MANUEL R. LOZANO Chief Financial Officer, AP Generation	Mr. Lozano, Filipino, 39 years old, is concurrently Chief Financial Officer of APRI. He was the CFO and Director of Paxy's Inc., a PSE-listed company focused on BPO industry and other IT related courses within Asia Pacific region before he joined the Aboitiz Group. He has a wide range of experience working in several management institutions. Mr. Lozano earned his Bachelor of Science in Business Administration from the University of the Philippines - Diliman and his MBA from The Wharton School, University of Pennsylvania.
ALVIN S. ARCO Vice President- Regulatory Affairs	Mr. Arco, Filipino, 49 years old, has been Vice President for Regulatory Affairs of AP since April 2007. He was Accounting Manager of AP from 1998 to 1999, Assistant Vice President – Finance from 2000 to 2004 and promoted to Vice President – Finance since 2005. He was Chief Accountant of DLP in 1997, Accounting Manager from 1998 to 1999, Assistant Vice President – Finance from 2000 to 2004 and Vice President – Finance since 2005. He served as Assistant Vice President – Finance of CLP between 2002 and 2005 and Vice President – Finance since 2006. He is also Assistant Vice President for Finance of AESI and Vice President - Regulatory Affairs of DLP. Mr. Arco is a Certified Public Accountant. He holds a degree in Accountancy from the University San Jose-Recoletos, Cebu City.
WILFREDO R. BACAREZA, JR. Vice President	Mr. Bacareza, Filipino, 32 years old, has been Vice President of AP since August 19, 2008. He was formerly the President and Chief Executive Officer of the Philippine National Oil Company-Development Management Corporation (PNOC-DMC) from 2006 to 2007 and President and Chairman of the Land Equity Assets Development Corporation (LEAD Corp.) and Baclands Properties Corporation from 2003 to 2007. In 2005 he served as legal adviser of the Philippine National Construction Corporation (PNCC) and Metropolitan Waterworks and Sewerage System (MWSS). Mr. Bacareza was also a Government Corporate Attorney II in the Office of the Government Corporate Counsel from 2004 to 2005 and Legal Consultant of National Power Corporation from 2003 to 2004. He is a graduate of the Ateneo Law School with a degree of Juris Doctor.
RAUL C. LUCERO Vice President for Engineering - Power Distribution Group	Mr. Lucero, Filipino, 41 years old joined the Aboitiz Group in 1990 via DLP. He became Vice President for Engineering of DLP in 2000. He was involved in the successful bid by AEV for the management of Subic Bay Metropolitan Authority's distribution system in the Subic Bay Freeport Zone in 2003. Mr. Lucero was promoted to Senior Vice President of DLP in

	2004. In the same year, he was brought into VECO to help transform VECO's engineering group. He was officially transferred to VECO in 2008. He is a graduate of Bachelor of Science in Electrical Engineering from the University of San Jose Recoletos.
ANASTACIO D. CUBOS, JR. Vice President, Special Projects	Mr. Cubos, Filipino, 58 years old, has been Vice President for Special Projects of AP since 1998. Between 1989 and 1997, he was Assistant Vice President – Engineering of DLP. He was also DLP Vice President – Engineering from 1998 to 2000 and DLP Senior Vice President – Special Projects since 2001. He is a Consultant of Hedcor and is a member of the Technical Executive Committee of CLP. He acts as a consultant to the Republic of Palau for its generation projects. Mr. Cubos' experience in the power industry dates back to 1972 when he joined DLP as an engineer. He holds a degree in electrical engineering from the Cebu Institute of Technology and a master's degree in Business Administration from the Ateneo de Davao University.
CRISTINA BRIONES- BELORIA Assistant Vice President-Controller	Ms. Beloria, Filipino, 47 years old, has been Assistant Vice President and Controller of AP since June 10, 2008. She was the Plant Controller of EAUC and CPPC from 2000-2008. She held various consulting engagements in Tokyo Japan from 1999-2000. She also served as Senior Auditor in the E.C. Ortiz and Co., CPA's in Chicago, Illinois USA. Ms. Beloria holds a degree in Bachelor of Science in Commerce, Major in Accounting from the University of San Jose Recoletos. She passed on first sitting the Philippine CPA Licensure Exam and Uniform CPA Licensure Examination given in Chicago, Illinois, USA.
PAQUITA S. TIGUE- RAFOLS Assistant Vice President for Accounting of AP Generation - Mindanao	Ms. Rafols, Filipino, 45 years old, joined the Aboitiz Group as Finance and Accounting Manager of the Aboitiz shipbuilding company, FBMA Marine, Inc. She was Assistant Vice President - Finance and Controller of FBMA prior to her appointment in AP. She was also connected with Trans-Asia Shipping Lines, Inc. and Price Waterhouse/Joaquin Cunanan & Co. before she joined the Aboitiz Group. Ms. Rafols is a Certified Public Accountant. She holds degrees in Bachelor of Science in Commerce, Major in Accounting from St. Theresa's College (Magna Cum Laude) and Bachelor of Laws from the University of San Carlos.
ARAZELI L. MALAPAD Assistant Vice President for Accounting of AP Generation - Luzon	Ms. Malapad, Filipino, 41 years old, has 16 years of extensive experience performing finance and accounting managerial functions in various private companies. She is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants. She earned her Bachelor of Science in Commerce, Major in Accounting, from Immaculate Conception College.
CARLOS COPERNICUS S. PAYOT Assistant Vice President – Controller for Distribution	Mr. Payot, Filipino, 45 years old, joined the Aboitiz Group in 1991 where he rose through the ranks in the Audit and Accounting Departments of ACO. He transferred to VECO in 2004 as Assistant Vice President for Accounting until his appointment to AP. Mr. Payot finished his bachelor's degree in Commerce major in Accounting, Cum Laude, from the University of San Carlos.
CLOVIS B. RACHO Assistant Vice President for Procurement and Logistics - Power Distribution Group	Mr. Racho, Filipino, 45 years old joined the Aboitiz Group in 1989 as an Assistant Systems Analyst of DLP, where he subsequently held various positions until his promotion as Department Manager of Technical Services in 2000. He was promoted as Assistant Vice President for Procurement and Logistics of VECO in 2004. He is currently the Assistant Vice President for Technical Services of DLP. He is a graduate of Bachelor of Science in Industrial Engineering from Cebu Institute of Technology.

ALADINO BORJA JR. Assistant Vice President for Information Services-Power Distribution Group	Mr. Borja, Filipino, 46 years old started his career with the Aboitiz Group when he was hired as Computer Programmer of Davao Computer Services, Inc., an affiliate of DLP, in 1997. He later joined DLP in 1990 as Junior Programmer where he rose from the ranks, becoming Head of Information Service Group in 2000. He was later assigned to VECO as Assistant Vice President for Information Service Group in 2004. He graduated from Cebu Institute of Technology.
RONALD ENRICO V. ABAD Assistant Vice President – Project Development	Mr. Abad, Filipino, 39 years old, was Manager of Team Energy Corporation prior to his appointment in AP. He was also Manager of ABB handling sales, marketing and project management. He is a graduate of Bachelor of Science in Electrical Engineering from the University of Sto. Tomas.
MA. KRISTINA C.V. RIVERA Assistant Vice President – HRQ, AP Generation	Ms. Rivera, Filipino, 39 years old was Assistant Vice President-HR&Q of APRI prior to her appointment in AP. She has 13 years experience in human resources management with diverse background in human resources strategic planning, implementation and administration in a manufacturing setting (energy and food). Before she joined the Aboitiz Group in 2003, Ms. Rivera was with PNOC-Energy Development Corporation. She holds Bachelor of Science and Masters degrees in Psychology from the University of the Philippines.
ANA LIZA M. ALETA Assistant Vice President – IT Director, AP Generation	Ms. Aleta, Filipino, 41 years old, joined the Aboitiz Group in 1991 as a marketing assistant of ACO. She rose from the ranks and held various positions relating to information technology in PFC, an affiliate of AP. She was Assistant Vice President - Information Technology of APRI, before she joined AP. She has 20 years of experience in information infrastructure & systems management with diverse background in Corporate and IT strategic planning, domestic operations, implementation, project management and technical marketing. She is a graduate of Bachelor of Science in Electronics & Communication Engineering from the University of San Carlos and earned her Masters in Management from the University of the Philippines.
CRISANTO R. LASET JR. Assistant Vice President for Power Economics & Distribution System Planning	Mr. Laset, Filipino, 51 years old, was Assistant Vice President - Technical Assistant to the Chairman of Cagayan Electric Power & Light Company, Inc. before he joined AP. He was also connected with ATOM Industrial Sales as Technical Assistant to the President. Mr. Laset is a graduate of Bachelor of Science in Electrical Engineering from Mapua Institute of Technology and has units in MS Electrical Engineering from the University of the Philippines.
JUAN MANUEL J. GATMAITAN Assistant Vice President for Power Marketing	Mr. Gatmaitan, Filipino, 38 years old, was the Assistant Vice President for Power Sales and Marketing of AP Renewables, Inc. prior to his appointment in AP. He earned his degree in AB Management Economics from the Ateneo de Manila University and had his Masters of Business Administration in General Management from the Rotterdam School of Management, Erasmus University, Rotterdam, The Netherlands.
SUSAN S. POLICARPIO Assistant Vice President – Government Relations	Ms. Policarpio, Filipino, 53 years old has been AP's Assistant Vice President for Government Relations since February 2009. Prior to her stint in AP, she was Assistant Vice President for Government Relations of ATSC since 2003. She was also Executive Director of Domestic Shipping Association from 2001 to 2003 and Executive Director Honorary Investments and Trade Representative of the Department of Trade and Industry from 1998 to 2001. She is currently a Director of the Port Users Confederation, Inc. and is a member of the Philippine Chamber of Commerce and Industry. She is a graduate of Bachelor of Arts in Communication Arts from St. Paul

	College.
M. CARMELA FRANCO Assistant Vice President-Investor Relations	Ms. Franco, Filipino, 38 years old, has been AP's Assistant Vice President for Investor Relations since March 26, 2008. She is also Assistant Vice President for Investor Relations of AEV. Ms. Franco's professional experience in investment analysis and corporate finance includes working with various corporations in different capacities prior to her stint in AP. She was previously a Trader, Associate and Credit Analyst of Capital One Equities Corporation & Multinational Investment Bancorporation from 1992 to 1994 and was formerly an Investment Analyst of ING Barings (Phils), Inc. & Kim Eng Securities (Phils), Inc. from 1994 to 1997. She also served as Investment Officer of Standard Chartered Bank from 1998 to 2000 and went on to serve as Project Analyst of Newgate Management, Inc. from 2000 to August 2002. Immediately prior to her stint with AP, she was connected with San Miguel Corporation as Investor Relations Officer of its Corporate Finance Group and later as Senior Project Analyst of its Corporate Planning Group. She holds a degree in Bachelor of Science in Business Economics (Cum Laude) from the University of the Philippines.
KATRINA M. PLATON Assistant Vice President for Legal and Regulatory Affairs	Ms. Platon, Filipino, 43 years old, was Senior Associate General Counsel of AP's parent company, AEV, before she moved to AP in May 2007. Prior to joining the Aboitiz Group, she served as legal consultant in the Office of the Vice Mayor of the City of Muntinlupa. She was also Corporate Legal Manager of the regional headquarters of e-Room Corporation and Associate Legal Officer of the United Nations Compensation Commission in Geneva, Switzerland. She started her law practice as an associate of the Ponce Enrile Reyes & Manalastas Law Offices where she specialized in corporate law and litigation. Atty. Platon is a graduate of the Ateneo de Manila University-School of Law. She took her LL.M in International Banking and Finance Law from the Boston University - School of Law in Boston, MA. She finished her bachelor's degree in business administration from the University of the Philippines.
M. JASMINE S. OPORTO Corporate Secretary/ Compliance Officer Ex-Officio Member - Board Corporate Governance Committee	Ms. Oporto, Filipino, 50 years old, has been the Corporate Secretary of AP since 2007. She is also First Vice President-Legal, Corporate Secretary and Compliance Officer of AEV; the Corporate Secretary of LHC,and CPPC. She is also General Counsel and First Vice President for Legal and Corporate Services of ACO since 2004. She is also Vice President for Legal Affairs of DLP and Trustee and Secretary of the ACO Retirement Fund. Prior to joining AP, she worked in various capacities with the Hong Kong office of Kelley Drye & Warren, LLP, a New York-based law firm and the Singapore-based consulting firm Albi Consulting Pte. Ltd. A member of both the Philippine and New York bars, she obtained her Bachelor of Laws from the University of the Philippines.
JOSEPH TRILLANA T. GONZALES Assistant Corporate Secretary	Mr. Gonzales, Filipino, 43 years old, has been the Assistant Corporate Secretary of AP since August 29, 2007. He is also Vice President for Legal and Corporate Services of AEV. He is also the Corporate Secretary of APRI. He was previously Special Counsel of SyCip Salazar Hernandez & Gatmaitan Law Offices until he joined the Aboitiz Group in May 2007 as Assistant Vice President of the Corporate and Legal Services of ACO. He is a graduate of Bachelor of Arts in Economics and Bachelor of Laws from the University of the Philippines. He also has a Master of Laws degree from the University of Michigan.

Period in which the Directors and Executive Officers Should Serve

The directors and executive officers should serve for a period of one (1) year.

Terms of Office of a Director

Pursuant to the amended By-laws of AP, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and until his successor is duly elected unless he resigns, dies or removed prior to such election.

The nine (9) directors, who must be stockholders of AP, are elected annually by the stockholders during the annual stockholders' meeting, where at least a majority of the outstanding capital stock should be present in person or by proxy. The directors shall serve for a term of one (1) year and until the election and qualification of their successors.

Any vacancy in the Board of Directors other than by removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose, if they still constitute a quorum. The director so chosen shall serve for the unexpired term of his predecessor in office.

(2) Significant Employees

AP considers the contribution of every employee important to the fulfillment of its goals.

(3) Family Relationships

Messrs. Jaime Jose Y. Aboitiz and Luis Miguel Aboitiz are first cousins. Messrs. Jon Ramon Aboitiz and Mikel A. Aboitiz are brothers. Messrs. Erramon I. Aboitiz and Iker M. Aboitiz are brothers as well. Messrs. Jon Ramon Aboitiz and Mikel A. Aboitiz are second cousins of Messrs. Erramon I. Aboitiz, Iker M. Aboitiz, Jaime Jose Y. Aboitiz and Luis Miguel Aboitiz.

(4) Involvement in Certain Legal Proceedings

People of the Philippines vs. Renato Francisco et. al.
(c/o Fuller O' Brien Paint Company, Inc., Reliance St., Mandaluyong City)
Criminal Case No. 35-5784
MTC Branch 66, Makati City
July 19, 2007

On July 23, 2008, the Metropolitan Trial Court (MTC) of Makati issued an Order finding probable cause to hold the alleged directors/stockholders of Fuller O'Brien Paint Company, Inc. (Fuller O'Brien), including Erramon I. Aboitiz, liable for violation of PD No. 1752 or the Pag-Ibig Fund Law, as amended.

On September 1, 2008, warrants of arrest were issued by the MTC against the accused, including Mr. Aboitiz. Mr. Aboitiz through his counsel filed an Omnibus Motion before the MTC asking for: (1) the reconsideration of the Order dated July 23, 2008 finding probable cause against him; (2) the recall/holding in abeyance of the warrant of arrest; and (3) the conduct of preliminary investigation/ reinvestigation.

The Home Development Mutual Fund (HDMF) failed to file a Comment or Opposition to the Omnibus Motion. On September 30, 2008, the MTC issued an order granting the Omnibus Motion filed by Mr. Aboitiz. Consequently, the warrant of arrest issued against him was recalled. The Office of the City Prosecutor of Makati was also directed to conduct a preliminary investigation of the case as regards Mr. Aboitiz.

On October 24, 2008, Mr. Aboitiz filed his Counter-Affidavit with the Office of the City Prosecutor of Makati, maintaining that he should be excluded from the charges filed against the directors of Fuller O'Brien as he was no longer a director of Fuller O'Brien when the alleged violations of the Pag-Ibig Fund Law occurred.

On August 20, 2009, HDMF filed a Reply-Affidavit alleging that respondents' allegations are factually and legally untenable. On August 27, 2009, Mr. Aboitiz submitted his ex-parte manifestation stating that HDMF failed to rebut the documents attached to his counter-affidavit showing that he was neither an officer nor a member of the board of Fuller O'Brien from May 2001 up to the present. The case is now submitted for resolution.

To the knowledge and/or information of AP, other than as disclosed above, none of its nominees for election as directors, its present members of the Board of Directors or its executive officers, is presently or during the last five years, involved in any legal proceeding in any court or government agency in the Philippines or elsewhere, which would put to question their ability and integrity to serve AP and its stockholders. To the knowledge and/or information of AP, the above-said persons have not been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or by the laws of any other nation or country.

(5) Certain Relationships and Related Transactions

AP and its subsidiaries and associates (the Group), in their regular conduct of business, have entered into related party transactions consisting of professional fees, advances and rental fees. These are made on an arm's length basis and at the current market prices as of the time of the transactions.

The Group has existing service contracts with its parent company AEV, as well as with AEV's parent company, ACO, for corporate center services, such as human resources, internal audit, legal, IT, treasury and corporate finance, among others. These services are obtained from these companies to enable the Group to realize cost synergies. Both AEV and ACO maintain a pool of highly qualified professionals with business expertise specific to the businesses of the AP Group. Transactions are priced on a cost recovery basis. In addition, transaction costs are always benchmarked on third party rates to ensure competitive pricing. Service Level Agreements are in place to ensure quality of service.

During the year, the Company has extended interest-bearing advances to certain AEV subsidiaries and associates namely, Pilmico, PANC, Aboitiz One Inc., ATS and AboitizLand for working capital requirements. These are made to enhance AP's yield on its cash balances. Interest rates are determined by comparing prevailing market rates at the time of the transaction.

AP and certain subsidiaries and associates are leasing office spaces from CPDC, a subsidiary of AEV. Rental rates are comparable with prevailing market prices. These transactions are covered with lease contracts for a period of three years.

No other transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer (whether current or former), any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

AP employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are brought to the attention of management.

(a) Parent Company

AP's parent company is AEV. As of February 28, 2010, AEV owns 76.40% of AP, while Aboitiz & Company, Inc. owns, as of February 28, 2010, 43.88% of AEV.

(b) Resignation or Refusal to Stand for Re-election by Members of the Board of Directors

No director has resigned or declined to stand for re-election to the Board of Directors since the date of AP's last annual meeting because of a disagreement with AP on matters relating to its operations, policies and practices.

Item 6. Compensation of Directors and Executive Officers

(1) Summary of Compensation Table

Information as to the aggregate compensation paid or accrued to AP's Chief Executive Officer and other highly compensated executive officers, as well as other directors and officers during the last two (2)completed fiscal years and the ensuing fiscal year are as follows:

DIRECTORS & EXECUTIVE OFFICERS	PERIOD	SALARY	BONUS	OTHER COMPENSATION
TOP FIVE HIGHLY-COMPENSATED EXECUTIVES: 1. ERRAMON I. ABOITIZ - President & Chief Executive Officer 2. ENRIQUE M. ABOITIZ JR. - Chairman of the Board 3. JON RAMON R. ABOITIZ - Vice Chairman of the Board 4. MIKEL A. ABOITIZ – Director 5. JAIME JOSE Y. ABOITIZ - Director/ EVP & COO-Power Distribution Group 6. ANTONIO R. MORAZA - Director/ EVP & COO-Power Generation Group				
All above named officers as a group	Actual 2008	₱ 11,510,000	₱ 1,000,000	₱ 6,350,000
	Actual2009	₱ 12,430,000	₱ 1,080,000	₱ 6,860,000
	Projected 2010	[•]	[•]	[•]
All other directors and officers as a group unnamed	Actual 2008	₱ 7,720,000	₱620,000	₱5,580,000
	Actual 2009	₱ 7,760,000	₱660,000	₱ 6,020,000
	Projected 2010	[•]	[•]	[•]

(2) Compensation of Directors

(i) Standard Arrangements

In 2009 all of AP's directors received a monthly allowance of ₱80,000 except for the Chairman of the Board who received a monthly allowance of ₱120,000. In addition, each director and the Chairman of the Board received a per diem for every Board or Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱50,000	₱75,000
Committee Meeting	₱30,000	₱30,000

For 2010 it is proposed that all of AP's directors shall receive a monthly allowance of ₱80,000, except for the Chairman of the Board who shall receive a monthly allowance of ₱120,000 In addition, each director and the Chairman of the Board shall receive a per diem for every Board or Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱60.000	₱90,000
Committee Meeting	₱50,000	₱60,000

The proposed monthly allowance and per diem of the AP directors for 2010 will be submitted for the approval of the stockholders during the 2010 Annual Stockholders' Meeting.

(ii) Other Arrangements

Other than payment of a director's allowance and per diem as stated, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

(3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no compensatory plan or arrangement between AP and any executive in case of resignation or any other termination of employment or from a change in the management control of AP.

(4) Warrants and Options Outstanding

To date, AP has not granted any stock option to its directors or officers.

Item 7. Independent Public Accountant

The accounting firm of Sycip, Gorres, Velayo & Company (SGV) has been AP's Independent Public Accountant for the last 11 years, and will be recommended to the stockholders for election, approval and ratification. Mr. Ladislao Z. Avila, Jr. has served as audit partner of AP such since 2004. AP shall comply with the requirements of Sec. 3(b)(iv) of SRC Rule 68 on the rotation of external auditors or signing partners. Representatives of SGV will be present during the annual meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions if needed.

There was no event in the past 11 years where AP and SGV or the handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

In its regular meeting last March 3, 2010, the Audit Committee of AP resolved to submit a for the approval of the stockholders during the Annual Stockholders' Meeting a proposal to delegate to the Board of Directors the authority to appoint the Company's external auditors for 2010. The proposal is intended to give the Audit Committee sufficient time to evaluate the different auditing firms who have submitted engagement proposals to act as AP's external auditor for 2010.

Item 8. Compensation Plans

No action is to be taken during the stockholders' meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

None.

Item 10. Modification or Exchange of Securities

None.

Item 11. Financial and Other Information

None.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

None.

Item 13. Acquisition or Disposition of Property

None.

Item 14. Restatement of Accounts

None.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

1. Approval of the Minutes of the 2009 Annual Meeting of Stockholders dated May 18, 2009 (with summary of the Minutes attached as Annex "A")
2. Approval of the Annual Report of Management for the year ending 31 December 2009

Item 16. Matters Not Required to be Submitted

There is no act of Management and the Board of Directors in the preceding year that needs the approval of the stockholders.

Ratification of acts of Management and of the Board of Directors referred to in the Notice of the Annual Meeting refers only to acts done in the ordinary course of business and operation of AP, which have been duly disclosed to the SEC and the PSE in accordance with law. Ratification is being sought in the interest of transparency and as a matter of customary practice or procedure undertaken at every annual meeting of AP stockholders.

A summary of the board resolutions approved during the period February 2009 to February 2010 is provided as follows:

Regular Board Meeting, February 11, 2009

1. Cash Dividend Declaration
2. Creation of Corporate Committees: Mandates & Composition
3. Proposed amendments to the Corporation's By-Laws and referral to the stockholders for approval
4. Proposed Directors' compensation and per diem for 2009
5. Delegation to the Board the authority to amend/repeal the by-Laws or adopt new By-laws of the Corporation
6. Delegation of the authority of the Nomination Committee to accept, pre-screen and shortlist candidates for the directors of the Board including independent directors
7. Setting of record date for the 2009 Annual Stockholders' Meeting
8. Authority to avail of institutional products of the following banks:

    a. The Hongkong and Shanghai Banking Corporation Limited
    b. Standard Chartered Bank
    c. Deutsche Bank
    d. Citibank N.A.
    e. Mizuho Corporate Bank, Ltd.
    f. Australia and New Zealand Banking Group Limited
    g. ING Bank N.V., Manila Branch
    h. Maybank Philippines, Inc.
    i. The Bank of Tokyo–Mitsubishi UFJ, Ltd. - Manila Branch
    j. Calyon Bank
    k. Banco De Oro

9. Authority of the Corporation to act as surety for the loan/credit accommodations granted by BDO to Balamban Enerzone Corporation and Mactan Enerzone Corporation.
10. Authority to avail of institutional products of Metropolitan Bank and Trust Company
11. Authority of the Corporation to extend temporary advances to the following corporations:

a. Subic Enerzone Corporation	–	P200 million
b. Cotabato Light & Power Company	–	P200 million
c. Davao Light & Power Company, Inc.	–	P800 million
d. Pilmico Foods Corporation	–	P1.5 billion
e. Pilmico Animal Nutrition Corporation	–	P 250 million
f. Aboitiz Energy Solutions, Inc.	–	P 100 million
g. Balamban Enerzone Corporation	–	P 100 million
h. Mactan Enerzone Corporation	–	P50 million
i. Aboitiz Equity Ventures, Inc.	–	P1.5 billion

12. Ratification of the authority of Mr. Antonio de Leon to represent AP in the San Fernando Electric Light & Power Company, Inc. Special Stockholders' Meeting last January 29, 2009.
13. Ratification of the authority of the Corporation to extend stockholders' advances to Therma Power, Inc. in the amount of P 26.4 million and $5.28 million (for the Cebu Energy Development Corporation capital call).
14. Ratification of the authority of the Corporation to extend stockholders' advances to Philippine Hydropower Corporation in the amount of P 12.5 million (for the IPPA and Angat bids).
15. Authority to list in the PDex the bond issue of the Corporation.
16. Authority of the Corporation to enter into the necessary agreements in relation to the bond issue such as, but not limited to, the Underwriting Agreement, Trust Agreement, Registry and Paying Agreement.
17. Registration of the Cleanergy Trademark
18. Authority of Erramon I. Aboitiz to sign in the Know Your Client Information Form in compliance with the Anti-Money Laundering Act (AMLA)
19. Appointment of AP representative to the 2009 East Asia Utilities Corporation annual stockholders' meeting
20. Ratification of the investment in Prism Energy, Inc.
21. Authority of the Corporation to use existing depository accounts with Union Bank of the Philippines for cash dividends payments
22. Authority of the Corporation to extend shareholders' advances to ABOVANT HOLDINGS, INC, (P34.32 million) / (US$5.28 million)

Special Board Meeting, March 31, 2009

1. Approval of the 2008 Audited Financial Statements

Special Board Meeting, April 15, 2009

1. Approval of Board Committee Mandates and Composition
2. Appointment of representative/s of the Corporation in all stockholders' meetings of Visayan Electric Company, Inc.
3. Appointment of representative/s of the Corporation in all stockholders' meetings of Hijos de F. Escaño, Inc.

Board Organizational Meeting, May 18, 2009

1. Election of Officers
2. Appointment of Board Committee Members

Regular Board Meeting, May 18, 2009

1. Participation of the Company in the negotiated bidding process of the PSALM for Power Barges 117 and 118.
2. Authority of AP to extend stockholders' advances to Philippine Hydropower Corporation in the amount of P150 Million.
3. Authority of AP to avail of institutional products of Union Bank of the Philippines
4. Authority of Cotabato Light & Power Company and Davao Light & Power Company, Inc. to avail of the credit facilities of AP with Security Bank Corporation and authority of AP to guarantee the obligations of the said subsidiaries and affiliates.
5. CEDC Project Financing – Philippine Peso-denominated loan from a consortium of lenders of up to an aggregate principal amount of P16 Billion.
6. Authority of AP to guarantee the credit line of (a) Therma Power, Inc. for the Limay bidding and (b) Therma Power Visayas, Inc. for the Calaca bidding.
7. Appointment of representatives of the Company in the stockholders' meetings of its investee companies.
8. Authority of AP to extend stockholders' advances to Philippine Hydropower Corporation in the amount of P8.931 billion

Special Board Meeting, June 25, 2009

1. Appointment of Mr. Raymond E. Cunningham as First Vice President for Business Development

Regular Board Meeting, July 16, 2009

1. Appointment of External Auditor
2. Delegation of Authority to the Audit Committee to approve and release periodic financial reports
3. Approval of Insider Trading Policy
4. Authority of certain subsidiaries and affiliates to avail of the credit facilities with ING and China Banking Corporation and authority of AP to guarantee the obligations of the said subsidiaries and affiliates
5. Authority to avail of institutional products of Security Bank Corporation for interest rate swaps and other transactions
6. Authority to avail of institutional products of Metropolitan Bank and Trust Company for interest rate swaps and other transactions
7. Authority of AP to avail of credit facilities with Bank of Philippine Islands
8. Designation of Mr. Antonio R. Moraza as additional signatory
9. Authority of the Corporation to issue Corporate Fixed Rate Notes of up to P5 billion.
10. Ratification of Advances to Philippine Hydropower Corporation – P11.56 million (Angat &IPPA Projects)
11. Ratification of Advances to Abovant Holdings, Inc. – P520.37 million (Capital Infusion to CEDC)
12. Therma Power, Inc. – P24.1 million (Capital Infusion to RP Energy, Inc.)
13. AP Corporate Restructuring (Generation Companies)

Regular Board Meeting, September 16, 2009

1. Approval of the amended Manual on Corporate Governance
2. Approval of the amended Internal Audit Charter
3. Appointment of Officers: Ms. Analiza M. Aleta as AVP-IT Director, AP – Generation; Ms. Ma. Kristina C. V. Rivera as AVP-HR&Q, and Mr. Manuel R. Lozano as CFO, AP – Generation
4. Authority of the Corporation to extend stockholders' advances to Philippine Hydropower Corporation for the prepayment of the APRI obligation to PSALM
5. Authority of the Corporation to extend temporary advances to Aboitiz & Company, Inc. in the amount of ₱300 million for the year 2009
6. Authority of the Corporation to borrow from and guarantee the obligation of subsidiaries/affiliates to Chinatrust
7. Authority of the Corporation to avail of institutional products of BDO Capital & Investment Corporation
8. Authority of the Corporation to avail of institutional products of BDO Private Bank, Inc.
9. Authority of the Corporation to open an account with Union Bank of the Philippines – Greenbelt branch
10. Authority of the Corporation to apply for SBLCs covering coal importation or hedging facilities in connection with the IPPA bid of Therma Luzon Inc. for the Sual and Pagbilao power stations with the

following banks:

a. JP Morgan
b. Nomura – NIP (Nomura International Plc)
c. Australia and New Zealand Banking Group Limited
d. Deutsche Bank AG London
e. Standard Chartered Bank London
f. ING (ING Bank N.V. – counter party)

11. Ratification of the authority of the Corporation to extend temporary advances to the following Corporations:

a. Mactan Enerzone Corporation	–	P20 million
b. Balamban Enerzone Corporation	–	P20 million
c. Hedcor Sibulan, Inc.	–	P200 million
d. Philippine Hydropower Corporation	–	P 363.59 million
e. Therma Power, Inc.	–	P 247.68 million
f. Therma Power, Inc.	–	P147.84 million
g. Mazzaraty Energy Corporation	–	P11, 035.00
h. Philippine Hydropower Corporation (re Hedcor Sibulan, Inc.)	–	P157.6 million
i. Adventenergy, Inc.	–	P625,000.00

12. Approval of trademark applications for AP and Cleanergy
13. Authority of the Corporation to participate in the bidding for the proposed sale and modernization of Olongapo City's Electric Distribution Utility System

Regular Board Meeting, November 12, 2009

1. Authority of the Corporation to guarantee Therma Luzon, Inc. credit facilities with Credit Suisse.
2. Authority of the Corporation to guarantee Therma Mobile, Inc. and Therma Marine, Inc. credit facilities with the following banks:

a. The Hongkong and Shanghai Banking Corporation Limited
b. Standard Chartered Bank
c. Calyon Bank
d. Australia and New Zealand Banking Group Limited
e. Chinatrust (Philippines) Commercial Bank Corporation
f. Deutsche Bank
g. ING Bank N.V., Manila Branch
h. Mizuho Bank
i. The Bank of Tokyo–Mitsubishi UFJ, Ltd.
j. Bank of the Philippine Islands
k. Metropolitan Bank and Trust Company
l. China Banking Corporation

3. Authority of the Corporation to guarantee SN Aboitiz Power-Benguet, Inc. credit facilities up to 50% of the obligations with the following banks:

a. Calyon Bank
b. Deutsche Bank
c. Security Bank Corporation
d. Banco de Oro
e. Bank of the Philippine Islands

4. Authority of the Corporation to guarantee Aboitiz share to SNAboitiz Power-Pangasinan, Inc., SN Aboitiz Power-Cordillera, Inc. and SN Aboitiz Power-Nueva Ecija,Inc. for credit facilities with the following banks:

    a. The Hongkong and Shanghai Banking Corporation Limited
    b. Standard Chartered Bank
    c. Calyon Bank
    d. Australia and New Zealand Banking Group Limited
    e. Chinatrust (Philippines) Commercial Bank Corporation
    f. Deutsche Bank
    g. ING Bank N.V., Manila Branch
    h. Mizuho Corporate Bank, Ltd.
    i. The Bank of Tokyo–Mitsubishi UFJ, Ltd.
    j. Bank of the Philippine Islands
    k. Metropolitan Bank and Trust Company
    l. China Banking Corporation

5. Ratification of the authority of the Corporation to extend stockholders' advances to Philippine Hydropower Corporation in the amount of P47.7 miliion
6. Ratification of AP's advances in the amount of US$969,980 to Therma Power, Inc. for the Pagbilao IPPA
7. Approval of $73.12 million AP advances to Philippine Hydropower Corporation to be used as equity infusions in SN Aboitiz Power-Magat, Inc. and SN Aboitiz Power-Benguet, Inc.
8. Ratification of the authority of the Corporation to extend shareholders advances to Abovant Holdings, Inc. in the amount of P121.44 million
9. Ratification of the authority of the Corporation to extend shareholders advances to Philippine Hydropower Corporation in the amount of P4. 875 million (SNAP-Benguet Equity Call)
10. Ratification of the authority of the Corporation to extend shareholders advances to Philippine Hydropower Corporation in the amount of US$100K (SN Aboitiz Power - Pangasinan, Inc. deposit for future subscriptions)

Special Board Meeting, December 14, 2009

1. Authority of the Company to bid for and participate in the Hydro IPP Administrator bidding

Regular Board Meeting, January 13, 2010

1. Authority of the Corporation to act as sponsor in AP Renewables, Inc. Project Financing
2. Authority of the Corporation to subscribe Five Thousand common shares of Olongapo Energy Corporation
3. Approval of dollar advances to Philippine Hydropower Corporation, as of January 6, 2010 peso exchange rate, relating to its equity infusions in Manila-Oslo Renewable Enterprise, Inc. and SN Aboitiz Power-Benguet, Inc. to be taken up as deposits for future subscription.
4. Authorized signatory for the transfer of Globe DSL Pro (Direct Internet Access System specifically used for Trading) account from AP Renewables, Inc. to Aboitiz Power Corporation
5. Authority of the Corporation to extend shareholders advances to Therma Power, Inc. in the amount of P272,545,000.00

Special Board Meeting, February 08, 2010

1. Adjustments on Pagbilao Accounting Treatment
2. Authority of the Company to enter into a parent company guaranty agreement with Pilipinas Shell Petroleum Corporation
3. Authority of the Company to enter into a parent company guaranty agreement with Petron Corporation

Item 17. Amendment of Charter, By-laws or Other Documents.

None.

Item 18. Other Proposed Action

None.

Item 19. Voting Procedures

(a) Vote Required for Election

Article 1 Section 4 of the amended By-Laws of AP states that a quorum for any meeting of stockholders shall consist of the majority of the outstanding capital stock of AP, and that a majority of such quorum shall decide any question in the meeting, except those matters in which the Corporation Code requires a greater proportion of affirmative votes.

Regarding the election of members to the Board of Directors, nominees who receive the highest number of votes shall be declared elected pursuant to Section 24 of the Corporation Code of the Philippines. Likewise, the nominee for AP's external auditor who receives the highest number of votes shall be declared elected.

(b) The Method by which the Votes will be Counted

In the election of directors, the top nine (9) nominees with the most number of votes shall be declared elected. If the number of nominees does not exceed the number of directors to be elected, all the shares present or represented at the meeting will be cast in favor of the nominees. If the number of nominees exceeds the number of directors to be elected, voting will be done by ballots.

In the election of directors, the stockholder may choose to do any of the following:

(a) Vote such number of shares for as many person(s) as there are directors to be elected;
(b Cumulate such shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares;
(c) Distribute his shares on the same principle as option (b) among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

The method of counting the votes of shareholders shall be in accordance with the general provisions of the Corporation Code of the Philippines. The counting of votes shall be done by representatives of the Office of the Corporate Secretary , all of whom shall serve as members of the Election Committee.

Other than the nominees' election as directors, no director, executive officer, nominee or associate of the nominees has any substantial interest, direct or indirect by security holdings or otherwise, in any way of the matters to be taken upon during the meeting. AP has not received any information that an officer, director or stockholder intends to oppose any action to be taken at the Annual Stockholders' Meeting.

AP's Annual Report in SEC Form 17-A will be given free of charge to AP stockholders upon written request. Please write to:

Investor Relations Office
Aboitiz Power Corporation
Aboitiz Corporate Center
Gov. Manuel A. Cuenco Avenue,
Kasambagan, Cebu City

Attention: Ms. M. Carmela N. Franco

This Information Statement and the Annual Report in SEC Form 17-A will also be posted at AP's website: www.aboitizpower.com.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Cebu on March 23, 2010.

ABOITIZ POWER CORPORATION
By:

M. Jasmine S. Oporto

M. JASMINE S. OPORTO
Corporate Secretary

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

The Aboitiz Group's involvement in the power industry began when members of the Aboitiz family acquired a 20% ownership interest in Visayan Electric Company, Inc. (VECO) in the early 1900s. The Aboitiz Group's direct and active involvement in the power distribution industry can be traced to the 1930s, when Aboitiz & Company, Inc. (ACO) acquired the Ormoc Electric Light Company and its accompanying ice plant, the Jolo Power Company and Cotabato Light and Power Company. In July 1946, the Aboitiz Group strengthened its position in power distribution in the Southern Philippines when it acquired Davao Light and Power Company, Inc. (DLP), which is now the third-largest privately-owned electric utility in the Philippines in terms of customers and annual gigawatt-hour (GWh) sales.

In December 1978, ACO divested its ownership interests in the Ormoc Electric Light Company and the Jolo Power Company to allow these companies to be converted into electric cooperatives, which was the policy being promoted by the government of then-President Ferdinand Marcos. ACO sold these two companies and scaled down its participation in the power distribution business in order to focus on the more lucrative franchises held by CLP, DLP and VECO.

In response to the Philippines' pressing need for adequate power supply, the Aboitiz Group became involved in power generation, becoming a pioneer and industry leader in hydroelectric energy. In 1978, the Aboitiz Group incorporated Hydro Electric Development Corporation (HEDC). HEDC carried out feasibility studies (including hydrological and geological studies) and hydroelectric power installation and maintenance and also developed hydroelectric projects in and around Davao City. The Aboitiz Group also incorporated Northern Mini Hydro Corporation (now Cleanergy, Inc.) in June 26, 1990, which focused on the development of mini-hydroelectric projects in Benguet province in Northern Luzon. By 1990, HEDC and Cleanergy had commissioned and were operating 14 plants with a combined installed capacity of 36 megawatts (MW). In 1996, the Aboitiz Group led the consortium that entered into a build-operate-transfer (BOT) agreement with the National Power Corporation (NPC) to develop and operate the 70 MW Bakun AC hydroelectric plant in Ilocos Sur province.

The registrant, Aboitiz Power Corporation (AP) was incorporated on February 13, 1998 as a holding company for the Aboitiz Group's investments in power generation and distribution. However, in order to prepare for growth in the power generation industry, AP was repositioned in the third quarter of 2003 as a holding company that owned power generation assets only. The divestment by AP of its power distribution assets was achieved through a property dividend declaration in the form of AP's ownership interests in the different power distribution companies. The property dividend declaration effectively transferred direct control over the Aboitiz Group's power distribution business to AEV. Further, in 2005 AP consolidated its investments in mini-hydroelectric plants in a single company by transferring all of HEDC's and Cleanergy's mini-hydroelectric assets into HEDCOR, Inc. (formerly Benguet Hydropower Corporation).

In December 2006, the Company and its partner, SN Power Invest AS (SN Power), through SN Aboitiz Power-Magat, Inc. (SNAP-Magat), submitted the highest bid for the 360 MW Magat hydroelectric plant auctioned by Power Sector Asset and Liabilities Management Corporation (PSALM). The price offered was US$530 million. PSALM turned over possession and control of the Magat Plant to SNAP-Magat on April 26, 2007.

In a share swap agreement with AEV last January 20, 2007, AP issued a total of 2,889,320,292 of its common shares in exchange for AEV's ownership interests in the following distribution companies, as follows:

- An effective 54.7% ownership interest in VECO, which is second-largest privately-owned distribution utility in the Philippines in terms of customers and annual GWh sales and is the largest distribution utility in the Visayas region;
- A 99.9% equity interest in each of DLP and CLP. DLP is the third-largest privately-owned distribution utility in the Philippines in terms of customers and annual GWh sales;
- An effective 64.3% ownership interest in SEZ, which manages the power Distribution System of the

Subic Bay Metropolitan Authority (SBMA); and

- An effective 43.8% ownership interest in San Fernando Electric Light and Power Company (SFELAPCO), which holds the franchise to distribute electricity in the city of San Fernando, Pampanga, in Central Luzon, and its surrounding areas.

In February 2007 the Company entered into a Memorandum of Agreement with Taiwan Cogeneration International Corporation to collaborate in the building and operation of an independent coal-fired power plant in the Subic Bay Freeport Zone. In May 2007 Redondo Peninsula Energy, Inc. (RP Energy) was incorporated as the project company that will undertake the Subic Coal Project.

On April 20, 2007, the Company acquired 50% of the outstanding capital stock of East Asia Utilities Corporation (EAUC) from El Paso Philippines Energy Company, Inc. EAUC operates a Bunker C-fired plant with a capacity of 50 MW within the MEPZ 1 in Mactan Island, Cebu. On the same date, the Company also acquired from EAUC 60% of the outstanding common shares of CPPC. CPPC operates a 70 MW Bunker C-fired plant in Cebu City.

On June 8, 2007, as part of the reorganization of the power-related assets of the Aboitiz Group, the Company agreed to acquire from its affiliate, Aboitiz Land, Inc. (AboitizLand) a 100% interest in Mactan Enerzone Corporation (MEZ), which owns and operates the power distribution system in the Mactan Export Processing Zone II (MEPZ II) in Mactan Island in Cebu, and a 60% interest in BEZ, which owns and operates the power distribution system in the West Cebu Industrial Park-Special Economic Zone (WCIP-SEZ) in Balamban town in the western part of Cebu. The Company also consolidated its ownership interest in SEZ by acquiring the combined 25% interest in Subic Enerzone Corporation (SEZ) held by AEV, SFELAPCO, Okeelanta and PASUDECO. These acquisitions were made through a share swap agreement which involved the issuance of a total of 170,940,307 common shares of the Company issued at the initial public offering price of ₱5.80 per share in exchange for the foregoing equity interests in MEZ, BEZ and SEZ.

In August 2007, the Company, together with Vivant Energy Corporation of the Garcia Group, signed a Memorandum of Agreement with Global Power for the construction and operation of a 3x82 MW coal-fired power plant in Toledo City, Cebu. The Company together with the Garcia Group formed Abovant. The Company owns 60.0% of Abovant. The project, which is being undertaken by CEDC, a joint venture company among Global Power, Formosa Heavy Industries and Abovant broke ground last January 2008 and is expected to be completed by the second half of 2010. The Company has an effective participation of 26.4% in the project.

On November 15, 2007, AP closed the sale and purchase of a 34% equity ownership in STEAG State Power, Inc. (STEAG Power) owner and operator of a 232 MW coal-fired power plant located in the PHIVIDEC Industrial Estate in Misamis Oriental, Northern Mindanao. The Company won the competitive bid to buy from Evonik Steag (formerly known as STEAG GmbH) the 34% equity in August 2007. The total purchase price for the 34% equity in STEAG Power is US$102 million, inclusive of interests.

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

On December 17, 2007, AP entered into an agreement to buy the 20% equity of Team Philippines in SEZ for ₱92 million. Together with the 35% equity in SEZ of AP's subsidiary DLP, this acquisition brings AP's total equity in SEZ to 100%.

On March 7, 2008, AP bought the 40% equity ownership of Tsuneishi Holdings (Cebu), Inc. (Tsuneishi) in BEZ for approximately ₱178 million. The acquisition brought AP's total equity in BEZ to 100%.

Last May 26, 2009, AP Renewables, Inc., a wholly owned subsidiary of AP, took over the ownership and operations of the 289 MW Tiwi geothermal power plant facility in Albay and the 458 MW Makiling-Banahaw geothermal power plant facility in Laguna (collectively referred to as the "Tiwi-Makban geothermal facilities") after winning the competitive bid conducted by PSALM on July 30, 2008. The Tiwi-Makban geothermal facilities have a sustainable capacity of approximately 462 MW.

Therma Luzon, Inc. ("Therma Luzon"), a wholly owned subsidiary of AP, won the competitive bid for the appointment of the Independent Power Producer ("IPP") Administrator of the 700 MW Contracted Capacity of the Pagbilao Coal Fired Power Plant (the "Pagbilao IPPA") last August 28, 2009. It assumed dispatch control of the Pagbilao power plant last October 1, 2009, becoming the first IPP Administrator in the country. As IPP Administrator, Therma Luzon is responsible for procuring the fuel requirements of, and of selling the electricity generated by, the Pagbilao power plant. The Pagbilao power plant is located in Pagbilao, Quezon.

AP, through its wholly owned subsidiary, Therma Marine, Inc., assumed ownership over Power Barge (PB) 118 and PB 117 last February 6, 2010 and March 1, 2010, respectively, after acquiring the two power barges from PSALM for US$30 million through a negotiated bid concluded last July 31, 2009. Each of the barge mounted diesel powered generation plants has a generating capacity of 100 MW. PB 117 and PB 118 are moored at Nasipit, Agusan del Norte and Barangay San Roque, Maco, Compostela Valley, respectively.

Ownership in AP was opened to the public through an initial public offering of its common shares in July 2007. Its common shares were officially listed in the Philippine Stock Exchange (PSE) on July 16, 2007.

The Company is in the process of implementing a corporate reorganization that will put all its renewable energy assets under Philippine Hydropower Corporation (PHC), which will be renamed Aboitiz Renewables, Inc., and all its non-renewable generation assets under Therma Power, Inc. (TPI).

From a small power distribution network in Ormoc in the 1930s, the Aboitiz Group's direct and active involvement in the power sector has continuously developed. With investments in power generation and distribution companies throughout the Philippines, the Aboitiz Group is considered one of the leading Filipino-owned companies in the power industry.

(2) Business of Issuer

With investments in power generation and distribution companies throughout the Philippines, AP is considered one of the leading Filipino owned companies in the power industry.

(i) Principal Products

GENERATION OF ELECTRICITY

Since its incorporation in 1998, AP has accumulated interests in both hydroelectric power generation plants and thermal plants. As of December 31, 2009, approximately [•]% of AP's net income is derived from its power generation business. AP conducts its power generation activities through the following subsidiaries and affiliates:

The table below summarizes the generation companies operating results as of December 31, 2009.

Generation Companies	Energy Sold Generation 2009	Energy Sold Generation 2008	Energy Sold Generation 2007	Revenue 2009	Revenue 2008	Revenue 2007
	(in GWh)			(in Million Pesos)		
Philippine Hydropower Corp.						
Hedcor Inc.	------	170	162	[•]	618	743
Luzon Hydro Corp.	------	301	279	[•]	1,088	1,836
SN Aboitiz Magat (1)	------	1,036	717	[•]	4,604	3,632
SN Aboitiz Benguet (2)	------	208	N/A	[•]	885	N/A
Western Mindanao Power Corporation	------	107	157	[•]	1,284	1,238
Southern Philippines Power Corporation	------	164	175	[•]	691	658

Cebu Private Power Corp. (3)	------	296	241	[•]	2,367	1,755
East Asia Utilities Corp. (4)	------	202	264	[•]	1,579	1,569
STEAG State Power (5)	------	1,330	1,405	[•]	6,265	4,774
Davao Light & Power Co., Inc. (6)	------	6	3	[•]	Revenue neutral	Revenue neutral
Cotabato Light and Power Company (6)	------	0	0	[•]	Revenue neutral	Revenue neutral
TOTAL	------	**3,820**	**3,403**	[•]	**19,381**	**16,205**

(1) The Magat plant was turned over to SNAP Magat by PSALM on April 26, 2007.

(2) The Ambuklao-Binga plants were turned over to SNAP Benguet by PSALM on July 10, 2008.

(3) Acquired 60.0% ownership interest last April 20, 2007.

(4) Acquired 50.0% ownership interest last April 20, 2007.

(5) Acquired 34.0% ownership interest last November 15, 2007.

(6) Plants are operated as stand-by plants and are revenue neutral, with costs for operating each plant recovered by DLP and CLP, as the case may be, as approved by the ERC

Philippine Hydropower Corporation (PHC)

AP, one of the leading providers of renewable energy in the country, holds all its investments in renewable energy through its wholly owned subsidiary, PHC. PHC owns equity interests in the following generation companies:

- 100% equity interest in APRI which owns the Tiwi-MakBan geothermal facilities.
- 100% equity interest in Hedcor, Inc., which operates 15 mini-hydroelectric plants (plants with less than 10 megawatts (MW) in installed capacity) in Benguet province in Northern Luzon and in Davao City in Southeastern Mindanao with a total installed capacity of 38.2 MW.
- 50.0% equity interest in LHC, which operates the 70 MW Bakun AC hydroelectric plant in Ilocos Sur province in Northern Luzon.
- 50.0% effective interest in SNAP-Magat, which operates the 360 MW Magat hydroelectric plant in Isabela in Northern Luzon.
- 50.0% effective interest in SNAP-Benguet, which operates the 175 MW Ambuklao-Binga Hydroelectric Power Plant Complex in Northern Luzon.
- 100% equity interest in Hedcor Sibulan, Inc., which is currently constructing the 42.5 MW Sibulan hydropower project in Santa Cruz, Davao del Sur.
- 100% equity interest in Hedcor Tamugan, Inc., which will build the 27.5 MW Tamugan hydropower project in Davao City.

Since beginning operations in 1998, the Company has been committed to developing expertise in renewable energy technologies. The Company's management believes that due to growing concerns on the environmental impact of power generation using traditional fossil fuel energy sources, greater emphasis will be placed on providing adequate, reliable, and reasonably priced energy through innovative and renewable energy technologies such as hydroelectric and geothermal technologies. As such, a significant component of the Company's future projects are expected to focus on those projects that management believes will allow the Company to leverage its experience in renewable energy and help maintain the Company's position as a leader in the Philippine renewable energy industry.

AP Renewables, Inc (APRI)

APRI, a wholly owned subsidiary of AP, owns and operates the 289 MW Tiwi Geothermal Power Plant located at Tiwi, Albay and the 458.53 MW Makiling-Banahaw (MakBan) Geothermal Power Plant located at Laguna and Batangas Provinces (collectively the "Tiwi-MakBan geothermal complex"). While the aggregate installed capacity of Tiwi-MakBan is 767 MW, its dependable capacity is only 462 MW due to limitations in steam supply. APRI assumed ownership of the Tiwi-MakBan geothermal complex from PSALM on May 26, 2009.

Among the rights and obligations assigned to APRI under the Asset Purchase Agreement (APA) with PSALM are transition supply contracts with various expiring terms and covering an estimate of 480 MW capacity at combined peak. Included among the supply contracts assigned, while not a transition supply contract, is the obligation to supply 9.63% of the monthly load of Meralco. Rates for the transition supply contracts were pegged to NPC Time-of-Use Rates at an annual simple average of ₱3.8966/kWh. The Energy Regulatory Commission (ERC) on February 16, 2009 provisionally authorized the NPC to increase its basic rates by an average of ₱0.4682/kWh for Luzon. With the adjustment, NPC's new annual average rates is ₱4.16/kWh for Luzon, effective NPC's February 26 to March 25, 2009 billing period.

The APA likewise requires APRI to rehabilitate Units 5 and 6 of the MakBan Geothermal Power Plant at its own cost and expense, which must be accomplished and completed within four years from Closing Date. APRI is currently in the process of developing a rehabilitation and refurbishment plan. Based on initial estimates, the rehabilitation and refurbishment costs could reach US$140-150 million over a period of four years. This rehabilitation and refurbishment plan is expected to improve the geothermal plants' operating capacities.

SN Aboitiz Power-Magat Inc. (SNAP-Magat)

SNAP-Magat is PHC's joint venture company with SN Power, a leading Norwegian hydropower company with projects and operations in Asia, Africa and Latin America. On December 14, 2006, SNAP-Magat participated in and won the bid for the 360 MW Magat hydroelectric power plant (the Magat Plant) conducted by PSALM for a bid price of US$530 million.

The Magat Plant, which is located at the border of Isabela and Ifugao provinces in Northern Luzon, was completed in 1983. As a hydroelectric facility that can be started up in a short period of time, the Magat Plant is ideally suited to act as a peaking plant with opportunities to capture the significant upside potential that can arise during periods of high demand.

The Magat Plant has the ability to store water equivalent to one month of generating capacity, allowing for the generation and sale of electricity at the peak hours of the day, which command premium prices. Magat's source of upside, water as a source of fuel and the ability to store it, is also its source of limited downside. This hydroelectric asset has minimal marginal costs granting it competitive advantage in terms of economic dispatch order versus other fuel-fired power plants that have significant marginal cash costs. SNAP-Magat sells most of the electricity generated by the Magat Plant through the Wholesale Electricity Spot Market (WESM). It is also a provider of much needed ancillary services to the Luzon grid.

SNAP-Magat obtained Board of Investments (BOI) approval of its application as new operator of the 360 MW Magat plant with a pioneer status, which entitles it to an income tax holiday.

A portion of the land underlying the Magat plant is in the name of National Irrigation Administration (NIA). This portion is being leased by SNAP-Magat from NIA under terms and conditions provided under the O&M Agreement. On March 23, 2007, President Arroyo issued a presidential proclamation reserving and granting NPC ownership over certain parcels of public land in Isabela province and instructing the DENR to issue a special patent over the untitled public land on which a portion of the Magat plant is situated. This portion of land, which was titled in 2007, was eventually bought by SNAP-Magat.

In September 2007 SNAP-Magat obtained a US$380 million loan from a consortium of international and domestic financial institutions which include the International Finance Corporation, Nordic Investment Bank, Banco de Oro – EPCI, Inc., Bank of the Philippine Islands, China Banking Corporation, Development Bank of the Philippines, The Hong Kong and Shanghai Banking Corporation Limited, Philippine National Bank and Security Bank Corporation. The US$380 million loan consists of a dollar tranche of up to US$152 million, and a peso tranche of up to ₱10.1 billion. The financing agreement was hailed as the region's first-ever project finance debt granted to a merchant power plant. It won Project Finance International's Power Deal of the Year and Asset's Best Project Finance Award as well as Best Privatization Award.

The loan was used to partially finance the deferred balance of the purchase price of the Magat Plant under the Asset Purchase Agreement with PSALM. Part of the loan proceeds was also used to refinance SNAP-

Magat's US$159 million loan from AEV and its advances from its shareholders used to acquire the Magat Plant.

After 25 years of operations without any major rehabilitation works done on the generating units and considering the age and results of technical assessments, SNAP-MAGAT has embarked into a four-year refurbishment program for all major plant equipment starting 2009 to 2013. The main objective is to put back the lost efficiency and address operational difficulties due to obsolescence. The project will preserve the remaining life and the continuance of its availability for the next 25 years.

SN Aboitiz-Benguet, Inc. (SNAP-Benguet)

On November 28, 2007, SNAP-Benguet, also a consortium between PHC and SN Power, submitted the highest bid to PSALM for the Ambuklao-Binga Hydroelectric Power Complex, which consists of the 75 MW Ambuklao Hydroelectric Power Plant (Ambuklao Plant) located in Bokod, Benguet and the 100 MW Binga Hydroelectric Power Plant (Binga Plant) located in Itogon, Benguet. The price offered amounted to US$325 million.

The Ambuklao-Binga Hydroelectric Power Complex was turned over to SNAP-Benguet on July 10, 2008. In August 2008, SNAP-Benguet signed a US$375 million loan agreement with a consortium of local and foreign banks where US$160 million was taken up as US dollar financing and US$215 million as Peso financing. Proceeds from the facility were used to partially finance the purchase price, rehabilitate the power plant complex and refinance SNAP-Benguet's existing advances from shareholders with respect to the acquisition of the assets.

SNAP-Benguet obtained BOI approval of its application as new operator of the Ambuklao and Binga plants with a pioneer status which entitles it to an income tax holiday commencing from date of registration.

Ambuklao Plant has been under preservation since 1999 due to damage from the 1990 earthquake. Rehabilitation of the Ambuklao Plant commenced in late 2008 and is expected to be completed by end of 2010. The refurbishment of the Binga Plant is also scheduled to commence in 2010. The projects are expected to increase the capacity of the Ambuklao Plant to 105 MW and of the Binga Plant to 120MW.

Hedcor, Inc. (Hedcor)

HEDCOR was originally incorporated on October 10, 1986 by ACO as the Baguio-Benguet Power Development Corporation. PHC acquired its 100% ownership interest in HEDCOR in 1998. In 2005, PHC consolidated all of its mini-hydroelectric generation assets, including those developed by HEDC and NORMIN, in HEDCOR. HEDCOR currently owns, operates and/or manages 15 mini–hydro plants of the run–of–river type in Northern Luzon and Davao City in Southeastern Mindanao with a combined installed capacity of 38.2 MW. All the electricity generated from HEDCOR's mini-hydro plants are taken up by the NPC, APRI, DLP and Philex Mining Corporation (Philex) and Benguet Electric Cooperative (BENECO) pursuant to power purchase agreements with the said offtakers.

During the full years 2008 and 2009, Hedcor's mini-hydroelectric plants generated a total of 170.4 GWh and [•] GWh of electricity, respectively.

Northern Luzon's climate is classified as having two pronounced season; dry from November to April and wet for the rest of the year. Due to this classification, generation levels of Hedcor's plants, particularly those located in Northern Luzon, are typically lower during the first five months of each year.

HEDCOR, used to have a 50% equity interest in LHC until it transferred its equity stake to its parent company, PHC, through a property dividend declaration in September 2007.

Luzon Hydro Corporation (LHC)

LHC is PHC's joint venture company with Pacific Hydro Pty Ltd of Australia, a privately-owned Australian company that specializes in developing and operating power projects that use renewable energy sources, principally water and wind power.

LHC operates and manages the 70 MW Bakun AC hydro project, which is located within the 13,213 hectare watershed area of the Bakun River in Ilocos Sur province in Northern Luzon. The project is a run–of–river power plant which taps the flow of the neighboring Bakun River to provide the plant with its generating power. The US$150 million project was constructed and is being operated under the government's build–operate–transfer scheme. Energy produced by the plant is delivered and taken up by NPC pursuant to a power purchase agreement (the Bakun PPA) and dispersed to NPC's Luzon Power Grid. Under the terms of the Bakun PPA, all of the electricity generated by the Bakun plant will be purchased by NPC for a period of 25 years from February 2001. The Bakun PPA also requires LHC to transfer the Bakun plant to NPC in February 2026, free from liens and without the payment of any compensation by NPC.

PSALM recently conducted a competitive bid for the appointment of the IPP Administrator of the 70 MW contracted capacity of the Bakun plant.

Hedcor Sibulan, Inc. (Hedcor Sibulan)

Hedcor Sibulan, a wholly owned subsidiary of PHC, is the project company of the Sibulan hydropower project. The project, which started construction in June 25, 2007, entails the construction of two (2) run-of-river hydropower generating facilities tapping the Sibulan and Baroring rivers in Sibulan, Santa Cruz, Davao del Sur. The total project cost is approximately ₱5.1 billion, which includes capital expenditures needed to construct access roads and transmission facilities. The Sibulan project is expected to be completed and commercially operational by the end of the first quarter of 2010.

Hedcor Sibulan is part of a consortium that won the competitive bidding for the 12-year power supply agreement to supply 400,000,000 kWh per annum of new capacity to DLP starting August 2009. The bid price for the contracted energy was ₱4.0856/kWh delivered, subject to adjustment based on changes to the Philippine consumer price index. All the energy generated by the Hedcor Sibulan power plants will be supplied to DLP pursuant to the power supply agreement signed on March 7, 2007.

The Sibulan Project is registered as a clean development mechanism project with the United Nations Framework Convention on Climate Change under the Kyoto Protocol allowing for the sale of its carbon credits.

Hedcor Tamugan, Inc. (Hedcor Tamugan)

Hedcor Tamugan, a wholly owned subsidiary of PHC, is the project company, which proposes to build the Tamugan hydropower project. It is awaiting the resolution of the Tamugan water rights dispute with the Davao City Water District (DCWD) before it will pursue the construction of the Tamugan hydropower project. Further discussion with the DCWD led to the revision of the project's design and plant size. Hedcor Tamugan has submitted a proposal for a 15 MW hydropower plant, in lieu of the contested proposal for a 27.5 MW hydropower plant. Given the new project scheme, Hedcor Tamugan will have to conduct studies for engineering design (one year). Once approved and permits are secured, the two-year construction period will commence.

Hedcor Tamugan is part of a consortium that won the competitive bidding for the 12-year power supply agreement to supply 400,000,000 kWh per annum of new capacity to DLP starting August 2009. The bid price for the contracted energy was ₱4.0856/kWh delivered, subject to adjustment based on changes to the Philippine consumer price index. All the energy generated by the Hedcor Tamugan power plants will be supplied to DLP pursuant to the power supply agreement signed on March 7, 2007. Despite the lower generating capacity, the required amount of energy under a power supply agreement between the Hedcor consortium (of which Hedcor Tamugan is a part of) and DLP will be met.

Therma Power, Inc. (TPI)

TPI, a wholly owned holding company of AP, owns equity interests in the following generation companies:

- 100% equity interest in Therma Luzon, Inc., the IPP Administrator of the 700 MW contracted capacity of the Pagbilao power plant.

- 100% equity interest in Therma Marine, Inc., owner and operator of PB 117 and PB 118, barge mounted power plants, each with a generating capacity of 100 MW.
- 26.4% effective interest in Cebu Energy Development Corporation, which is currently constructing a 3x84 MW coal-fired power plant in Toledo City, Cebu.
- 50.0% equity interest in RP Energy, the project company that will build and operate a 300 MW coal-fired power plant in Redondo Peninsula in the Subic Bay Freeport Zone (SBFZ).

AP is in the process of implementing a corporate reorganization that will put all its non-renewable generation assets under TPI. If completed, TPI will hold AP's ownership interest in STEAG State Power, Inc., East Asia Utilities Corporation, Cebu Private Power Corporation, Southern Philippines Power Corporation and Western Mindanao Power Corporation.

Therma Luzon, Inc.

Therma Luzon, Inc. ("Therma Luzon"), a wholly owned subsidiary of AP, submitted the highest offer in the competitive bid conducted by PSALM for appointment as the IPP Administrator of the 700 MW Contracted Capacity of the Pagbilao Coal Fired Thermal Power Plant, located in Pagbilao, Quezon.

The offer by Therma Luzon resulted in a bid price of US$691 million as calculated in accordance to bid rules. This value represents the present value of a series of monthly payments to PSALM from October 2009 to August 2025 using PSALM discount rates.

On October 1, 2009, Therma Luzon, Inc. became the first Independent Power Producer IPP Administrator in the country when it assumed dispatch control of the said contracted capacity of the Pagbilao Plant. As IPP Administrator, Therma Luzon is responsible for procuring the fuel requirements of the Pagbilao Plant and selling the electricity generated by the plant. The Pagbilao Plant is being operated by TEAM Energy under a build-operate-transfer scheme.

Therma Marine, Inc.

Therma Marine, Inc. (TMI), a wholly owned subsidiary of AP, owns and operates PB 117 and PB 118, two power barges each with a generating capacity of 100 MW. TMI assumed ownership of PB 118 and PB 117 last February 6, 2010 and March 1, 2010, respectively, after successfully concluding a US$30 million negotiated bid for the two power barges with PSALM last July 31, 2009. PB 118 is moored at Bgy. San Roque, Maco, in Compostella Valley, Mindanao while PB 117 is moored at Nasipit, Agusan del Norte.

TMI signed Ancillary Services Procurement Agreements ("ASPA") with the National Grid Corporation of the Philippines (NGCP) for a supply by each of PB 117 and PB 118 of 50 MW of ancillary services consisting of contingency reserve, dispatchable reserve, reactive power support and blackstart capacity for the Mindanao Grid. TMI has been operating the power barges prior to receiving the written provisional authority of the ERC of the ASPAs. ERC approval for the ASPAs before NGCP can charge customers for the ancillary services.

The ERC issued a provisional authority for the PB 118 ASPA on March 8, 2010 and made it retroactive to February 6, 2010 in consideration of the ongoing power crisis in Mindanao. PB 117 is currently operating without a provisional authority from the ERC as its application is still pending before the ERC. However, TMI has applied for retroactive effectivity of PB 117's provisional authority so as not to intensify the power situation in Mindanao.

STEAG State Power Inc. (STEAG Power)

AP closed the sale and purchase of the 34% equity ownership in STEAG Power from Evonik Steag (formerly known as STEAG GmbH) last November 15, 2007, following its successful bid to buy the 34% equity ownership in August 2007. The total purchase price for the 34% equity in STEAG Power was US$102 million, inclusive of interests.

Incorporated on December 19, 1995, STEAG Power is the owner and operator of a 232 MW (gross) coal-fired power plant located in the PHIVIDEC Industrial Estate in Misamis Oriental, Northern Mindanao. The coal plant was built under a BOT arrangement and started commercial operations on November 15, 2006. The coal plant is subject of a 25-year power purchase agreement with the NPC, which agreement is backed by a

Performance Undertaking issued by the Republic of the Philippines. STEAG Power currently enjoys a 6-year income tax holiday from the BOI.

With its 34% stake in STEAG Power, AP is equity partner with majority stockholder Evonik Steag, Germany's fifth largest power generator, which currently holds 51% equity in STEAG Power. La Filipina Uy Gongco Corporation holds the remaining 15% equity in STEAG Power.

East Asia Utilities Corporation (EAUC)

On April 20, 2007, AP acquired a 50% ownership interest in EAUC from El Paso Philippines which still owns the other 50% of EAUC. EAUC was incorporated in February 18, 1993 and since 1997 has operated a Bunker C-fired power plant with an installed capacity of 50 MW within the MEPZ I in Mactan Island, Cebu. Pursuant to the Power Supply and Purchase Agreement (PSPA), as amended, with the PEZA, the EAUC plant is the sole provider of electricity to MEPZ I, delivering reliable, high quality power to meet the stringent requirements of semiconductor firms, electronics manufacturers and other locators within the economic zone. The PSPA is for a term of 15 years beginning December 31, 1997.

Cebu Private Power Corporation (CPPC)

Incorporated on July 13, 1994, CPPC owns and operates a 70 MW Bunker-C fired power plant in Cebu City, one of the largest power plants in the island of Cebu. Commissioned in 1998, the CPPC plant was constructed pursuant to a Build-Operate-Transfer (BOT) contract to supply 62 MW of power to VECO. The CPPC plant will revert to VECO in November 2013.

On April 20, 2007, AP acquired from EAUC 60% of the outstanding common shares of CPPC. The remaining 40% of the outstanding common shares were by Vivant Energy Corporation of the Garcia family of Cebu, who together with AP, are the major shareholders of VECO. VECO owns all of the outstanding preferred shares of CPPC, which comprises approximately 20% of the total outstanding capital stock of CPPC.

Abovant Holdings, Inc. (Abovant) and Cebu Energy Development Corporation (CEDC)

Incorporated on November 28, 2007, Abovant is a joint venture company formed by TPI, a wholly-owned subsidiary of AP, and Vivant Integrated Generation Corporation (VIGC) of the Garcia Group of VECO, to hold their investments in a new power plant being built in Sangi, Toledo City, Cebu.

Abovant, which is 60% owned by AP, through TPI, and 40% owned by VIGC, has formed CEDC, together with Global Formosa, a joint venture between Global Power and Formosa Heavy Industries. CEDC is in the process of constructing a new 3x82 MW coal-fired power plant in the existing Toledo Power Station complex in Sangi, Toledo City, Cebu. With Abovant's 44% stake in the project (Global Formosa owns the remaining 56%), AP's effective interest in the new power plant, which broke ground in January 2008, is approximately 26.4%.

The power plant which will cost approximately US$450 million, is expected to be completed by 2010. The first 82 MW-unit is expected to be in commercial operations by March 2010, while the second and third units by the second and fourth quarters of 2010, respectively. The power to be generated from the new power plant will provide much needed security to the power supply of the province of Cebu in the coming years. Additional power will be needed with the influx of business process outsourcing companies and new hotels in the province and the presence in the Toledo-Balamban area of large industries such as Atlas Mining Corporation, the shipbuilding facility of Tsuneishi Heavy Industries (Cebu) Inc. and the modular fabrication facility of Metaphil International Inc.

CEDC had signed a Power Purchase Agreement (PPA) with the Visayan Electric Company, Inc. (VECO) for the supply of 105 MW for 25 years. It also plans to enter into PPAs, which will contain contracted Minimum Energy Offtake with fuel as pass through, with other possible offtakers.

Southern Philippines Power Corporation (SPPC)

SPPC is a joint venture among AP, Alsons Consolidated Resources, Inc., Toyota Tsusho, and Electricity Generating Public Company Limited. AP has a 20% equity interest in SPPC, which owns and operates a 55 MW bunker-C fired power plant in Alabel, Sarangani just outside General Santos City in Southern Mindanao.

The SPPC power plant was developed on a build-own-operate basis by SPPC under the terms of an Energy Conversion Agreement (ECA) with the NPC. Under the ECA, NPC is required to deliver and supply to SPPC the fuel necessary to operate the SPPC power plant during an 18-year cooperation period, which ends in 2016. NPC is also required to take all the electricity generated by the SPPC power plant during the cooperation period and pay SPPC on a monthly basis capital recovery, energy, fixed operations and maintenance (O&M) and infrastructure fees as specified in the ECA. During this cooperation period, SPPC is responsible, at its own cost, for the management, operation, maintenance and repair of the SPPC power plant.

Aside from providing much needed capacity to the Southwestern Mindanao Area, the SPPC power plant also performs the role of voltage regulator for General Santos City, ensuring the availability, reliability, and quality of power supply in the area.

Western Mindanao Power Corporation (WMPC)

Like SPPC, WMPC is also a joint venture of AP, Alsons Consolidated Resources, Inc., Toyota Tsusho and Electricity Generating Public Company Limited. AP has a 20% equity interest in WMPC, which owns and operates a 100 MW bunker-C fired power station located in Zamboanga City, Zamboanga del Sur in Western Mindanao. The WMPC power plant was developed on a build-own-operate basis by WMPC under the terms of an ECA with NPC. Under the ECA, NPC is required to deliver and supply to WMPC the fuel necessary to operate the WMPC Plant during an 18-year cooperation period which ends in 2015. NPC is also required to take all the electricity generated by the WMPC Plant during the cooperation period and pay WMPC on a monthly basis capital recovery, energy, fixed O&M and infrastructure fees as specified in the ECA. During this cooperation period, WMPC is responsible, at its own cost, for the management, operation, maintenance and repair of the WMPC Plant.

Aside from providing much needed capacity to the Zamboanga Peninsula, the WMPC power plant also performs the role of voltage regulator for Zamboanga City ensuring the availability, reliability, and quality of power supply in the area.

Redondo Peninsula Energy, Inc. (RP Energy)

Incorporated on May 30, 2007, RP Energy is a joint venture company owned equally by AP and TCIC. It is the project company that proposes to build and operate a 300 MW coal-fired power plant in Redondo Peninsula in the Subic Bay Freeport Zone (SBFZ).

In April 2008, RP Energy issued a letter of award to Formosa Heavy Industries for the supply of the boiler, steam turbine, generator, and related services that will be used for the construction of the power plant. The award serves to fix the price and delivery time of the equipment amidst an environment of rising prices and longer delivery period of raw materials. The project is estimated to cost approximately US$500 million. The construction of the coal plant is being deferred pending further review of the power supply and demand requirements in the Luzon Grid.

AP's distribution utilities, DLP and CLP, each have its own stand-by plant. DLP currently maintains the 53 MW Bunker C-fired Bajada stand-by plant, which is capable of supplying 19% of DLP's requirements. CLP maintains a stand-by 7 MW Bunker C-fired plant capable of supplying approximately 30.5% of its requirements.

Future Projects

Before undertaking a new power generation project, the Company conducts an assessment of the proposed project. Factors taken into consideration by the Company include the proposed project's land use requirements, access to a power grid, fuel supply arrangements (if relevant), availability of water (for hydroelectric projects), local requirements for permits and licenses, the ability of the plant to generate electricity at a competitive cost and the presence of potential offtakers to purchase the electricity generated. For the development of a new power plant, the Company, its partners and suppliers are required to obtain the necessary permits required before commencement of commercial operations, including permits related to project site, construction, the environment and planning, operation licenses and similar approvals.

Notwithstanding the review and evaluation process that the Company's management conducts in relation to any proposed project, acquisition or business, there can be no assurance that the Company will eventually develop a particular project, acquire a particular generating facility or that projects will be implemented or acquisitions made or businesses conducted in the manner planned or at or below the cost estimated by the Company. In addition, there can be no assurance that a project, if implemented, or an acquisition, if undertaken, will be successful.

Acquisition of additional generation assets

AP, on its own and/or with strategic partners, plans to participate in the upcoming bids for the privatization of the government's power assets. NPC, through PSALM, intends to reach its privatization level of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas.

In particular, the Company is considering participating in the bidding for the 112.5 MW Tongonan geothermal plant in Leyte province in the Visayas.

AP also intends to participate in PSALM's public auction for the remaining 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 OF ELECTRICITY

The Aboitiz Group has a 70-year history in the Philippine power distribution sector and has been known for innovation and efficient operations. Through the years, AP has managed to build strong working relationship with the industry's regulatory agencies.

With ownership interests in seven distribution utilities (the "Distribution Companies"), AP is currently one of the largest electricity distributors in the Philippines. AP's distribution utilities collectively supply electricity to franchise areas covering a total of 18 cities and municipalities in Central Luzon, Visayas and Mindanao, with an aggregate land area of approximately 5,095 square kilometers. Collectively, AP's distribution utilities, which contributed approximately [•]% of its net income for 2009. AP had a total customer base of [•] in 2009, 658,318 in 2008 and 636,641 in 2007.

The table below summarizes the key operating statistics of the Distribution Companies for 2009 and the previous two (2) years.

Company	Electricity Sold (MWh)			Peak Demand (MWh)			No. of Customers		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
VECO	-------	1,766,059	1,680,537	------	326	313	------	296,003	288,587
DLP	-------	1,370,951	1,331,437	------	248	245	------	257,101	247,341
SFELAPCO	-------	406,022	391,999	------	75	74	------	73,600	70,071
CLP	-------	118,450	117,523	------	23	23	------	28,927	27,966
SEZ	-------	298,050	199,082	------	64	44	------	2,585	2,576
MEZ	-------	141,225	137,233	------	23	22	------	74	75
BEZ	-------	63,329	56,798	------	15	14	------	28	25
Total	-------	**4,164,086**	**3,914,609**	------	**774**	**735**	------	**658,318**	**636,641**

Visayan Electric Company, Inc. (VECO)

VECO is the second largest electric privately-owned distribution utility in the Philippines in terms of customers and annual MWh sales. VECO supplies electricity to a region covering 672 square kilometers in the island of Cebu with a population of approximately 1.5 million. Its franchise area includes the cities of Cebu, Mandaue, Talisay and Naga, and the municipalities of Minglanilla, San Fernando, Consolacion and Lilo-an. To date, VECO has 13 substations located in different areas around in the cities of Cebu, Mandaue, Naga and the municipality of Consolacion.

VECO, directly and through its predecessors-in-interest, has been in the business of distributing electricity in Cebu Island since 1905. In the early 1900s, the predecessors-in-interest of the Aboitiz Group acquired a 20% interest in VECO's predecessor-in-interest, the Visayan Electric Company, S.A. Since that time, the Aboitiz Group's ownership interest in VECO has increased from 20% to the current beneficial ownership interest of 55.18% held by AP.

In 1928, Visayan Electric Company, S.A. was granted a 50-year distribution franchise by the Philippine Legislature. The term of this franchise was extended by Republic Act No. 6454 for an additional 25 years beginning in 1978 and was conditionally renewed for another 25 years from December 2003, subject to the resolution of an intra-corporate dispute at that time involving AEV, AP's parent company, and Vivant Corporation. In September 2005, the Philippine Congress passed Republic Act No. 9339, which extended VECO's franchise to September 2030. VECO's application the extension of its Certificate of Public Convenience and Necessity (CPCN) was approved by the ERC last January 26, 2009.

In April 2004, AEV and Vivant, which is the holding company of the Garcia family, entered into a Shareholders' Cooperation Agreement that sets out guidelines for VECO's day-to-day operations and the relationship among VECO's shareholders, including: restrictions on share transfers (including the grant of rights of first refusal in the event of a transfer to a third party and rights to transfer to affiliates, subject to certain conditions), board composition and structure, proceedings of directors and shareholders, minority shareholder rights, dividend policy, termination, and non-compete obligations. Under the terms of the agreement, day-to-day operations and management of VECO were initially assumed by AEV and, after AP acquired AEV's ownership interest in VECO in January 2007, by AP. AP and Vivant Corporation are each required to place in escrow 5% of the shares in VECO registered in their respective names to guarantee compliance with their respective obligations under the Shareholders' Cooperation Agreement. The escrow shares will be forfeited in the event a shareholder group violates the terms of the Shareholders' Cooperation Agreement. The Shareholders' Cooperation Agreement was adopted as a result of a dispute between AEV and Vivant regarding the management of VECO. Relations between the shareholders of VECO are amicable.

VECO entered its reset period in end 2008 under the Performance-based Rate-setting Regulation (PBR), and is expected to enter the 4-year regulatory period on July 1, 2010.

Davao Light & Power Company, Inc. (DLP)

DLP is the third largest privately-owned electric distribution utility in the country in terms of customers and annual GWh sales. DLP supplies electricity to a region covering 3,354 square kilometers in and around Davao City in Southern Mindanao with a population of approximately 1,432,544. DLP's franchise area includes Davao City, Panabo City and the municipalities of Carmen, Dujali and Santo Tomas in the province of Davao del Norte.

AP currently has an ownership interest of 99.93% in DLP, which was organized on October 29, 1929. DLP's original franchise, which covered Davao City, was granted in November 1930 by the Philippine Legislature and was for a period of 50 years. In 1976, the National Electrification Administration (NEA) extended DLP's franchise for Davao City to November 2005 and granted DLP franchises for the municipalities of Carmen, Panabo and Santo Tomas in Davao del Norte province. In September 2000, the Philippine Congress passed Republic Act No. 8960, which granted DLP a franchise over its current franchise area for a period of 25 years, or until September 2025. The Aboitiz Group acquired its ownership interest in DLP in 1946.

DLP has a 150 MVA and a new 2x50 MVA substation drawing power at 138 kV. In 1998, it entered into a ten-year power purchase agreement with NPC, which had been extended to 2015 by a separate contract signed in 2005 by the parties. DLP's power purchase agreement with NPC allows the delivery of most of DLP's power requirements through DLP's 138 kV lines. As a result, in taking delivery of electricity from NPC, DLP is able to bypass the NGCP connection assets and avoid having to pay corresponding wheeling fees to NGCP, thereby allowing DLP to cut its operating costs.

DLP also has a 53 MW Bunker C-fired standby plant (the Bajada Plant), which is capable of supplying 19% of DLP's electricity requirement.

In February 2007, DLP awarded to the Hedcor Consortium (composed of Hedcor, PHC, Hedcor Sibulan, and Hedcor Tamugan) a 12-year supply contract of 400,000,000 kWh per year of new capacity starting August 2009. The price differential between Hedcor Consortium's winning bid price of ₱4.0856 per kWh and the next lowest bid was approximately ₱1.0129 per kWh. Over the life of the supply contract, the differential will amount to approximately ₱4.9 billion at current peso value, representing significant savings for DLP customers.

DLP decided to secure the new supply contract in anticipation of the full utilization within the next two years of the existing contracted energy supply under the 10-year contract with the NPC for 1,238,475 MWh and the 12-year contract with Hedcor.

On January 15, 2007, the ERC approved a memorandum of agreement between DLP and Transco (now NGCP), pursuant to which DLP's Bajada Plant will provide reactive power support on an as-needed basis to the Mindanao Grid, subject to the dispatch instructions of Transco's (NGCP) Mindanao systems operator. When DLP provides reactive power under the terms of the agreement, Transco (NGCP) will pay DLP a fee, which DLP is required to flow back to its customers by way of reduced rates.

DLP also operates a fully functional automated mapping and facilities management (AM/FM) system for its entire franchise area, which was developed in-house by DLP's programmers. Believed to be one of the first AM/FM system in the Philippines, the system allows DLP to track field assets and determine a customer's electricity utilization among others. . DLP also uses the Supervisory Control and Data Acquisition (SCADA) system, which allows DLP's engineers to monitor and control DLP's electric distribution assets remotely.

DLP entered its reset period under the PBR in January 2009, and is expected to enter the 4-year regulatory period in July 1, 2010.

DLP operates its distribution system at a low systems loss 8.12% by end of December 2009, way below the government 9.5% cap set for private distribution utilities.

Cotabato Light & Power Company, Inc. (CLP)

CLP supplies electricity to Cotabato City and portions of the municipalities of Datu Odin Sinsuat and Sultan Kudarat, both in Maguindanao province in Mindanao. Its franchise area covers approximately 191 square kilometers and has a population of approximately 350,692. In 2009, it has a manpower complement of [•] full-time and a number of contractual employees serving a customer base of [•], composing of residential, commercial, industrial and flat rate customers.

CLP was formally incorporated in April 1938. Its original 25-year franchise was granted in June 1939 by the Philippine Legislature. In 1961 the Philippine Congress passed Republic Act No. 3217 which was further amended by Republic Act No. 3341 extending CLP's franchise until June 1989. In August 1989, the then National Electrification Commission (NEC), (now called National Electrification Administration (NEA)) extended CLP's franchise for another 25 years, which will expire in August 2014. AP owns 99.93% of CLP.

CLP has three substations of 10 MVA, 12 MVA and 15 MVA and is served by two 69 kV transmission lines, which provide redundancy in case one transmission line fails. CLP's distribution voltage is 13.8 kV. It maintains a stand-by 7.35 MW Bunker C-fired plant capable of supplying approximately 30.5% of its franchise area requirements. The existence of a standby power plant which is capable of supplying electricity in cases of supply problems with NPC and for the stability of voltage whenever necessary is another benefit to CLP's customers.

Although a relatively small utility, CLP's corporate relationship with sister company DLP allows the former to immediately implement benefits from the latter's system developments. CLP also uses state of the art AM/FM and SCADA systems like DLP.

The ERC issued its final determination on CLP's application for approval of its annual revenue requirement and performance incentive scheme under the performance-based regulation (PBR) scheme covering the second regulatory 4-year period, which commenced on April 1, 2009 until March 30, 2013.

On April 15, 2009, the ERC approved CLP's application for translation of its approved annual revenue requirement for the first regulatory year into applicable rates per customer class. CLP implemented the approved rates last May 1, 2009 - a month after the start of the first regulatory year. The resulting under recovery from the one-month lag will be reflected and recovered in the next regulatory year's rate translation application.

CLP filed its application for translation of its approved annual revenue requirement for the second regulatory year into applicable rates per customer class last December 18, 2009. ERC conducted its public hearing last January 27, 2010 in ERC, Pasig City. The decision on the rate translation application of the second regulatory year, which will commence on April 1, 2010 to March 30, 2011, is expected to be released on March 30, 2010 and is expected to be implemented on April 1, 2010.

CLP is facing a challenge of lowering its systems loss currently at 10.76%, which is above the 9.5% loss cap set by the government. CLP expects to reduce its high systems loss, which is caused mainly by pilferage, to the government-mandated 9.5% level by end of 2010.

San Fernando Electric Light and Power Co. Inc. (SFELAPCO)

SFELAPCO supplies electricity to approximately 32 barangays in San Fernando City, 29 barangays in the municipality of Floridablanca, 5 barangays in the municipality of Bacolor and 2 barangays in the municipality of Guagua, a portion of Lubao and Santo Tomas, all located within Pampanga province in Central Luzon. Its franchise area covers 204 square kilometers and has a population of approximately 365,427.

SFELAPCO was incorporated on May 17, 1927. In 1961 the Philippine Congress passed Republic Act No. 3207, which granted SFELAPCO a franchise to distribute electricity for a period of 50 years or until June 2011 within the franchise area described above. Republic Act 9967 extending SFELAPCO's franchise for another 25 years from the date of its approval. It lapsed into last February 6, 2010.

In November 11, 2009, SFELAPCO signed a PSA with APRI. APRI will supply the additional energy that cannot be supplied by NPC from December 25, 2009 to September 25, 2010. APRI will then be the sole provider of POWER for SFELAPCO until December 25, 2012.

SFELAPCO is part of the fourth batch of private utilities to enter PBR, and is expected to enter its 4-year regulatory period by April 1, 2011.

AP has an effective interest of 43.78% in SFELAPCO.

Subic Enerzone Corporation (SEZ)

In May 2003, the consortium of AEV and DLP won the competitive bid to provide distribution management services to the Subic Bay Metropolitan Authority (SBMA) and to operate the SBFZ power distribution system for a period of 25 years. On June 3, 2003, SEZ was incorporated as a joint venture company owned by a consortium comprised of DLP, AEV, SFELAPCO, Team Philippines, Okeelanta Corporation and Pampanga Sugar Development Corporation (PASUDECO) to undertake the management and operation of the SBFZ power distribution system. SEZ was formally awarded the contract to manage the SBFZ's power distribution system on October 25, 2003 and officially took over the operations of the power distribution system on the same day.

SEZ's authority to operate the SBFZ power distribution system was granted by the SBMA pursuant to the terms of Republic Act No. 7227 (The Bases Conversion and Development Act of 1992), as amended. As a company operating within the SBFZ, SEZ is not required to pay the regular corporate income tax of 35% and instead pays a preferential tax of 5% on its gross income in lieu of all national and local taxes.

Following the acquisition of AP in January 2007 of the 64.3% effective ownership interest of AEV in SEZ, AP entered into another agreement on June 8, 2007 to acquire the combined 25% equity stake in SEZ of AEV, SFELAPCO, Okeelanta, and PASUDECO.

Last December 17, 2007, AP bought the 20% equity of Team Philippines in SEZ for ₱92 million. Together with the 35% equity in SEZ of AP's subsidiary DLP, this acquisition brings AP's total equity in SEZ to 100%.

In September 2008 SEZ acquired the 100 MVA Subic Substation from the NGCP. The substation has a 230/69/13.8kV power transformer supplying power to the Subic Bay Industrial Park, Binictican and Kalayaan housing areas, Cubi, Naval Magazine, and Grande Island in the SBFZ.

In November 2008 SEZ implemented its rate increase as per approved unbundled rates.

SEZ is part of the fourth batch of private utilities to enter PBR, and is expected to enter its 4-year regulatory period by April 1, 2011.

Mactan Enerzone Corporation (MEZ)

MEZ was incorporated in January 2007 when Aboitiz Land, Inc. (AboitizLand) spun off the power distribution system of its MEPZ II project. The MEPZ II project, which was launched in 1995, is operated by AboitizLand under a BOT Agreement entered into with the Mactan-Cebu International Airport Authority (MCIAA).

On June 8, 2007, AP entered into an agreement to acquire AboitizLand's 100% equity stake in MEZ represented by 8,754,443 common shares of MEZ. Pursuant to the agreement, AP acquired AboitizLand's ownership interest in MEZ valued at ₱609.5 million in exchange for AP's common shares issued at the initial public offering price of ₱5.80 per share. The SEC approved the shares swap agreement last January 10, 2008.

MEZ sources its power from NPC pursuant to a Contract to Supply Electric Energy. Under the supply contract, NPC is required to provide power to MEZ up to the amount of contracted load, which is based on the projections provided by companies operating in the MEPZ II pursuant to a Power Service Contract each company operating in MEPZ II enters into with MEZ.

Balamban Enerzone Corporation (BEZ)

BEZ was incorporated in January 2007 when Cebu Industrial Park Developers, Inc. (CIPDI), a joint venture between Aboitizland and Tsuneishi Holdings (Cebu), Inc. (Tsuneishi Holdings), spun off the power distribution system of the WCIP-SEZ. WCIP-SEZ is a special economic zone for light and heavy industries located in Balamban in Western Cebu, which is owned and operated by CIPDI. The park is home to shipbuilding and ship repair facilities of Tsuneishi Heavy Industries (Cebu), Inc. and FBMA Marine Inc. as well as the modular fabrication facility of Metaphil International, Inc.

On May 4, 2007, CIPDI declared a property dividend to its stockholders in the form of its equity in BEZ. On June 8, 2007, AP entered into an agreement to acquire AboitizLand's 60% equity stake in BEZ represented by 4,301,766 shares common shares of BEZ. Pursuant to the agreement, AP acquired AboitizLand's ownership interest in BEZ valued at ₱266.9 million in exchange for AP's common shares issued at the initial public offering price of ₱5.80 per share. The SEC approved the shares swap agreement last January 10, 2008. On March 7, 2008, AP purchased Tsuneishi Holdings' 40% equity in BEZ for approximately ₱178 million. The acquisition brought AP's total equity in BEZ to 100%.

RETAIL ELECTRICITY AND OTHER RELATED SERVICES

One of the objectives of electricity reform in the Philippines is to ensure the competitive supply of electricity at the retail level. In particular, when Open Access and Retail Competition under the Rules and Regulations to Implement the Electric Power Industry Reform Act of 2001 (EPIRA) (Republic Act No. 9136) is fully implemented, large-scale customers will be allowed to obtain electricity from Retail Electricity Suppliers licensed by the ERC.

Aboitiz Energy Solutions, Inc. (AESI)

AESI, a wholly owned subsidiary of AP, holds a license to act as a Retail Electricity Supplier (issued on December 6, 2006) and a license to act as a Wholesale Aggregator (issued on January 26, 2007). AESI intends to take advantage of its affiliation with the Aboitiz Group in marketing its power to Open Access customers.

AP also offers a range of electricity-related services through AESI. These services are designed to help AESI's customers improve the efficiency, cost and reliability of their electric equipment and optimize their electricity consumption.

AESI's main electricity-related service is power factor improvement. One of the metering parameters measured for utility, commercial, and industrial customers is power factor. A low power factor load increases losses in a power distribution system and results in increased cost for electrical energy use. Under the current rate scheme of the NGCP, a customer drawing power from NGCP transmission facilities is granted a discount on transmission charges if its power factor is greater than 90% and is penalized if its power factor is less than 85%. Most large utilities like Meralco also provide a similar incentive. AESI helps customers increase their power factors through the installation of capacitor banks in their electrical system. Customer contracts with AESI are for periods of at least two (2) years and AESI is paid a percentage of the cost savings it is able to obtain for its customers resulting from power factor improvements. Customers for this service include electric cooperative companies, such as the Agusan del Norte Electric Cooperative and the Davao Del Norte Electric Cooperative, and various industrial establishments and commercial establishments, including shopping malls operated by the SM Group, the largest mall operator in the Philippines.

Electric cooperatives who are part of customer base of AESI's power factor improvement services could potential customers of AP's generation companies. Improving the power factors of these cooperatives and reducing their costs should also improve their creditworthiness, increasing their attractiveness as customers of AP's generation facilities.

(ii) Sales

Comparative amounts of revenue, profitability and identifiable assets are as follows:

	2009	2008	2007 As restated	2006 As restated
Gross Income	-----	12,243	11,312	8,681
Operating Income	-----	1,653	1,983	1,283
Total Assets	-----	**47,272**	**36,176**	**12,280**

Note: Operating income is operating revenues net of operating expenses.

The operations of AP and its subsidiaries and affiliates are based only in the Philippines.

Comparative amounts of revenue contribution by business grouping are as follows:

Business Segment	2009		2008		2007 As restated	
Power Generation	------	------	2,985	24%	2,499	21%
Power Distribution	------	------	9,228	73%	8,798	76%
Services	------	------	328	3%	335	3%

Total Revenue	------	------	**12,541**	**100%**	**11,632**	**100%**
Less: Eliminations	------	------	(298)		(320)	
Net Revenue	------	------	**12,243**		**11,312**	

Note: Percentages refer to the business group's share in total revenue for a given year.

(iii) Distribution Methods of the Products or Services

Except for SNAP-Magat and SNAP-Benguet, which sell most of the electricity they generate through the WESM, the Generation Companies have long-term bilateral power supply agreements with the NPC, private distribution utilities or other large end-users. Some of AP's generation companies have transmission service agreements with NGCP for the transmission of electricity to the designated delivery points of their customers, while others built their own transmission lines to directly connect to their customers. In some instances, where the offtaker is NPC, NPC takes delivery of the electricity from the generation facility itself.

On the other hand, AP's distribution companies have exclusive distribution franchises in the areas where they operate. These utilities own distribution lines with voltage levels ranging from 4.16 kV to 23 kV. These lines distribute electricity to the Distribution Companies' customers in each of their respective franchise areas. All customers that connect to these distribution lines are required to pay a tariff for using the system.

Each of the distribution company has a distribution network consisting of a widespread network of predominantly overhead lines and substations. Customers are classified in different voltage levels based on their consumption of, and demand for, electricity. Large industrial and commercial consumers receive electricity at distribution voltages of 13.8 kV to 23 kV while smaller industrial, commercial and residential customers receive electricity at 240 V or 480 V.

All of AP's distribution companies have entered into transmission service contracts with NGCP for the use of NGCP's transmission facilities in the distribution of electric power from the Grid to their respective customers.

(iv) New Products/Services

Other than the ongoing Greenfield and/or rehabilitation projects undertaken by AP's generation companies, AP and its subsidiaries do not have any publicly announced new product or service to date.

(v) Competition

Generation Business

With the ongoing privatization of NPC-owned power generation facilities and the establishment of WESM, AP's generation facilities located in Luzon, the Visayas and Mindanao will face competition from other power generation plants that supply electricity to the Luzon, Visayas and Mindanao Grids. In particular, SNAP-Magat and SNAP-Binga, which operate merchant hydroelectric plants, APRI and Therma Luzon, are expected to face competition from leading multinationals such as Marubeni Corporation and Korea Electric Power Corporation, as well as Filipino-owned IPPs such as First Gen Corporation, DMCI Holdings, Inc. and San Miguel Energy Corporation.

AP will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as competition for financing for these activities. Factors such as the performance of the Philippine economy and the potential for a shortfall in the Philippines' energy supply have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects in the Philippines. Accordingly, competition for and from new power projects may increase in line with the expected long-term economic growth of the Philippines.

Distribution Business

Each of AP's distribution companies currently has an exclusive franchise to distribute electricity in the areas covered by each franchise.

Under Philippine law, the franchises of the Distribution Companies may be renewed by the Congress of the Philippine, provided that certain requirements related to the rendering of public services are met. The Company intends to apply for the extension of each franchise upon its expiration. The Company may face competition or opposition from third parties in connection with the renewal of these franchises. It should be noted that under Philippine law, a party wishing to secure a franchise to distribute electricity must first obtain a Certificate of Public Convenience and Necessity from the ERC, which requires that such party prove that it has the technical and financial competence to operate a distribution franchise, as well as the need for such franchise. Ultimately, the Philippine Congress has absolute discretion over whether to issue new franchises or to renew existing franchises, and the acquisition by competitors of any of the Distribution Companies' franchises could adversely affect the Company's results of operations.

(vi) Sources of Raw Materials and Supplies

Generation Business

AP's hydroelectric facilities utilize water from rivers located near the facilities to generate electricity. The hydroelectric companies, on their own or through NPC in the case of LHC, possess water permits issued by the National Water Resources Board (NWRB), which allow them to use a certain volume of water from the applicable source of the water flow.

Under the Asset Purchase Agreement between APRI and PSALM for the Tiwi-MakBan geothermal complex, the management and operation of the steam fields which supply steam to Tiwi-MakBan remains with Chevron Geothermal Philippines Holdings, Inc. (Chevron). The steam supply arrangement between APRI and Chevron is currently governed by a Transition Agreement which provides for the reimbursement of capital expenditures and operating expenses, as well as payment of service fees, by APRI to Chevron. The Transition Agreement is to be effective no more than four years from the date of the turnover of Tiwi-MakBan to APRI and will be replaced by a Geothermal Resource Service Contract (GRSC) when Chevron becomes a Philippine corporation and after the rehabilitation of Makban units 5 and 6. Under the GRSC, APRI will no longer pay service fees or reimburse Chevron for capital expenditures and operating expenses. Instead, the price of steam shall be linked to Barlow Jonker and Japanese Public Utilities (JPU) coal price indices. As a result, the steam cost structure under GRSC will shift from a largely fixed to a full variable cost.

AP's oil-fired plants use Bunker C fuel to generate electricity. EAUC and CPPC each have a fuel supply agreement with Petron, while SPPC and WMPC get fuel supplies from NPC pursuant to their respective ECAs with NPC.

STEAG Power has an existing long-term coal supply agreement with PT. Jorong Barutama Greston of Indonesia.

Therma Luzon has no long-term coal supply contract at present but has existing supply contracts to meet the Pagbilao plant's coal requirements until December 2010. While Therma Luzon's objective is to enter into long-term coal supply agreements, it wants to first establish more Indonesian coal sources to give it flexibility in its coal sourcing and allow it to purchase competitively-priced coal in the market.

Distribution Business

The bulk of volume of electricity the distribution companies sell is purchased from NPC, rather than from the generation companies. The following distribution companies purchase electricity from the Generation Companies: DLP from Hedcor, SFELAPCO from APRI and VECO from CPPC and CEDC. Each of the Distribution Companies has bilateral agreements in place with NPC for the purchase of electricity, which set the rates for the purchase of NPC's electricity. The following table sets out material terms of each distribution company's bilateral agreements with NPC:

Distribution Company	Term of Agreement with NPC	Contract Energy (MWh per year)	Take or Pay	Pricing Formula
VECO	Five years and three months; expiring in December 2010	1,310,766	Yes	ERC approved NPC rate + ERC approved adjustments
DLP	10 years; expiring in December 2015	1,238,475	Yes	ERC approved NPC rate + ERC approved adjustments
SFELAPCO	Five years; expiring in September 25, 2010	193,500	Yes	ERC approved NPC rate + ERC approved adjustments
CLP	10 years; expiring in December 2015	116,906	Yes	ERC approved NPC rate + ERC approved adjustments
SEZ	Three years; expiring in March 2011	90,000	Yes	Average generation rate ₱3.4742/kWh and Franchise and Benefit Tax ₱0.0245
BEZ	N/A	N/A	N/A	N/A
MEZ	Ten years; expiring on September 2015	114,680	Yes	ERC approved NPC rate + ERC approved adjustments

The rates at which DLP and SFELAPCO purchase electricity from the Generation Companies are established pursuant to the bilateral agreements that are executed after the relevant Generation Company has successfully bid for the right to enter into a PPA with either DLP or SFELAPCO. These agreements are entered into on an arm's-length basis and on commercially reasonable terms and must be reviewed and approved by the ERC. In addition, ERC regulations currently restrict the Distribution Companies from purchasing more than 50% of their electricity requirements from affiliated companies, such as the Generation Companies. Pursuant to the Hedcor Consortium's 12-year power supply agreement to supply 400,000,000 kWh per annum of new capacity to DLP, Hedcor Sibulan is expected to start supplying DLP with the electricity generated from its Sibulan plant in the first half of 2010.

VECO has entered PPAs pursuant to which it purchases a minimum of 18,000,000 kWh per month on a take-or-pay basis from Toledo Power Corporation, and approximately 61.72 MW of dispatchable capacity from CPPC (with no minimum energy off-take requirement).

On September 2009, VECO entered into a Power Supply Agreement with CEDC for the supply of 105 MW for 25 years to address its long-term power supply requirement. CEDC is building three 82 MW power plant in Toledo, Province of Cebu. The first 75MW unit is scheduled to go online by March 2010 and all the power generated by this unit will be delivered to VECO. The second and third units are expected to be operational by the second half of 2010.

Meanwhile, to mitigate the power supply shortage in 2010, VECO's largest customer, CEMEX Philippines agreed to supply 10 MW to VECO during peak hours for one year.

The provisions of the distribution companies' PPAs are governed by ERC regulations. The main provisions of each contract relate to the amount of electricity purchased, the price, including adjustments for various factors such as inflation indexes, and the duration of the contract. Under current ERC regulations, the Distribution Companies can purchase up to 90% of their electricity requirements using bilateral contracts.

Meanwhile, DLP and CLP each have their own stand-by plant. DLP currently maintains the 53 MW Bunker C-fired Bajada stand-by plant which is capable of supplying 19% of DLP's requirements. CLP maintains a stand-by 7.35 MW Bunker C-fired power plant capable of supplying approximately 30.5% of its requirements.

Transmission Charges

Each of the distribution companies have entered into transmission service contracts with NGCP for the use of NGCP's transmission facilities in the distribution of electric power from the Grid to their respective customers. The distribution companies have negotiated a Memorandum of Agreement with NGCP in connection with the amount and form of security deposit to be provided by the Distribution Companies to NGCP to secure their obligations under their transmission services contracts.

(vii) Major Customers

About [•]% of the total electricity generated by the generation companies is delivered to the NPC pursuant to long-term bilateral power supply agreements with the NPC. These bilateral agreements are supported by NPC's credit, which in turn is backed by the Philippine government. Approximately [•] of the total electricity generated is sold through the WESM, while the rest, comprising of about [•] of the total electricity generated, is sold to private distribution utilities pursuant to long-term bilateral agreements.

Most of AP's distribution companies, on the other hand, have wide and diverse customer bases. As such, the loss of any one customer will have no material adverse impact on AP. The Distribution Companies' customers are categorized into four principal categories:

(a) **Industrial customers.** Industrial customers generally consist of large-scale consumers of electricity within a franchise area, such as factories, plantations and shopping malls.

(b) **Residential customers.** Residential customers are those who are supplied electricity for use in a structure utilized for residential purposes.

(c) **Commercial customers.** Commercial customers include service-oriented businesses, universities and hospitals.

(d) **Other customers.** Other customers include public and municipal services such as street lighting.

(viii) Transactions with and/or Dependence on Related Parties

AP and its subsidiaries (the AP Group) enter into transactions with its parent, associates and other related parties, principally consisting of:

(a) Management and other service contracts of certain subsidiaries and associates with ACO at fees based on agreed rates. Management and other service fees paid by the AP Group to ACO amounted to ₱40.73 million, ₱27.15 million, ₱15.54 million for the year ending December 31, 2008, 2007 and 2006, respectively.

(b) Management agreement with AEV in 2006. AEV was the sole and general manager of DLP, CLP and Hedcor for which the former was entitled to a fee based on agreed rates. In 2007, AEV transferred the management contract to AP. Management fees charged to operations in 2006 amounted to ₱391. 25 million.

(c) Service contracts of certain subsidiaries and associates with AEV at fees based on agreed rates.

Professional, legal and other service fees paid by the Group to AEV amounted to ₱362.61 million, ₱366.57 and ₱131.36 million for the year ending December 31, 2008, 2007, and 2006, respectively.

(d) Management service agreement with AP and Vivant Energy Corporation (Vivant) in 2007. AP and Vivant are the general managers of CPPC for which they are entitled to a management fee based on agreed rates. Management fees charged to operations amounted to ₱12 million in 2008 and 2007.

(e) The Company serves as a guarantor on a loan obtained from Hedcor from a local bank. The Company also obtained standby letters of credit to guarantee debts of certain subsidiaries and associates.

(f) Energy fees billed by Hedcor to SFELAPCO which amounted to ₱17.34 million in 2008 and ₱17.77 million in 2007.

(g) Energy fees billed by CPPC to VECO which amounted to ₱2.35 billion in 2008 and ₱1.65 billion in 2007.

(h) Aviation services rendered by AEV Aviation to the AP Group. Total expenses from associate amounted to ₱19.86 million in 2008, ₱12.66 million in 2007 and ₱10.69 million in 2006.

(i) Lease of commercial office units by the AP Group from Cebu Praedia Development Corporation for a period of three years. Rental expense amounted to ₱32.24 million in 2008, ₱28.19 million in 2007 and ₱25.26 million in 2006. CPDC is a subsidiary of AEV.

(j) Advances to/from related parties, both interest and non interest-bearing, payable on demand. Interest-bearing advances are based on annual interest rates ranging from 3% to 10.4% in 2008, 5.13% to 8.25% in 2007, and 5.17% in 2006. Net interest income/(expense) incurred on these advances amounted to ₱142.7 million in 2008, ₱(29.9) million in 2007 and ₱(47.8) million in 2006.

(ix) Government Approvals, Patents, Copyrights, Franchises

GOVERNMENT APPROVALS

Generation Business

Power generation is not considered a public utility operation under the EPIRA. Thus, a franchise is not needed to engage in the business of power generation. Nonetheless, no person or entity may engage in the generation of electricity unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a Certificate of Compliance (COC) from the ERC to operate the generation facilities. A COC is valid for a period of five years from the date of issuance.

A generation company must ensure that all its facilities connected to the Grid meet the technical design and operational criteria of the Grid Code and Distribution Code promulgated by the ERC.

Additionally, a generation company must meet the minimum financial capability standards set out in the “Guidelines for the Financial Standards of Generation Companies", issued by the ERC. Under the said guidelines, a generation company is required to meet a minimum annual interest cover ratio or debt service coverage ratio of 1.5x throughout the period covered by its COC. For COC applications and renewals, the same guidelines require the submission to the ERC of, among other things, comparative audited financial statements, a schedule of liabilities, and a five-year financial plan. For the duration of the COC, these guidelines also require a generation company to submit to the ERC audited financial statements and forecast financial statements for the next two fiscal years, among other documents. The failure by a generation company to submit the requirements so prescribed by the guidelines may be a ground for the imposition of fines and penalties.

AP's generation companies, as well as DLP and CLP which own generation facilities, are required under the EPIRA to obtain a COC from the ERC for its generation facilities. They are also required to comply with technical, financial and environmental standards provided in existing laws and regulations in their operations.

The Generation Companies, DLP and CLP possess COCs for their generation businesses, as follows:

Title of Document:	Issued under the name of:	Power Plant					Date of Issuance
Certificate of Compliance No. 03-11-GXT33-0033	HEDC	Type	Location	Capacity (in MW)	Fuel	Years Of Service	December 7, 2006
		Hydro	Tadlangan, Tuba, Benguet	2.56	Hydro	13	
		Hydro	Nangalisan, Tuba, Benguet	2.50	Hydro	13	
		Hydro	Ampucao, Itogon, Benguet	2.40	Hydro	15	
		Hydro	Bito, La Trinidad, Benguet	10.75	Hydro	15	
		Hydro	Banengbeng, Sablan, Benguet	8.00	Hydro	15	
		Hydro	Calinan, Davao City	1.00	Hydro	16	
Certificate of Compliance No. 05-02-GXT 286b - 0331	HEDCOR	Hydro Electric Turbine	Brgy. Mintal, Talomo, Davao City	3.47	Hydro	15	February 26, 2007
Certificate of Compliance No. 03-11-GXT32-0032	NMHC	Hydro	Bakun Central, Bakun, Benguet	10	Hydro	15	December 7, 2006
		Hydro	Amusongan, Bakun, Benguet	2.6	Hydro	15	
Certificate of Compliance No. 03-08-GXT17-0017	LHC	Hydro	Amilongan Alilem, Ilocos Sur	70	Hydro	23	July 29, 2008
Certificate of Compliance No. 05-12-GXT13701-13728	DLP	Diesel Engine	J.P. Laurel Ave., Bajada, Davao City	54.27	Diesel	15	December 7, 2005
		Diesel Engine	Panabo Office	41.6	Diesel	15	
		Diesel Engine	Ponciano Reyes Substation	105	Diesel	15	
Notice of Approval of Certificate of Compliance dated Jan. 15, 2007	CLP	Diesel	Sinsuat Ave., Cotabato City	9.9	Diesel		
Certificate of Compliance No. 08-06-GXT2-0002	EAUC	Land-Based Diesel HFO Fired Engine	Mactan Export Processing Zone, Lapulapu City	46	Heavy Fuel Oil	20	June 10, 2008
Certificate of Compliance No. 08-06-GXT1-0001	CPPC	Land-Based Diesel HFO Fired Engine	Old VECO Compound, Brgy. Ermita, Cebu City	70	Heavy Fuel Oil	20	June 3, 2008

Title of Document:	Issued under the name of:	Power Plant					Date of Issuance
Certificate of Compliance No. 08-08-GXT20-0020	WMPC	Diesel	Sitio Malasugat, Sangali, Zamboanga City	100	Bunker-C/Diesel	30	August 7, 2008
Certificate of Compliance No. 08-08-GXT21-0021	SPPC	Diesel	Baluntay, Alabel, Sarangani Province	50	Bunker-C/Diesel	30	August 7, 2008
Certificate of Compliance No. 05-11-GXT-2860-13433	SNAP-Magat (Magat Plant)	Hydro electric turbine	Gen. Aguinaldo, Ramon, Isabela	360	Hydro		November 29, 2005 (Change of ownership issued on January 28, 2008)
		Stand-by Diesel Genset	Gen. Aguinaldo, Ramon, Isabela	350	Diesel		
Certificate of Compliance No. 05-11-GXT286m-13429	NPC (Binga Plant)	Hydro Electric Turbine	Sitio Binga, TInongdan, Itogon, Benguet	100	Hydro		November 23, 2005
Certificate of Compliance No. 06-08-GN-16	STEAG Power	Coal fired	Park V, Phividec Industrial Estate, Balacanas, Villanueva, Misamis Oriental	232	Coal	25	August 30, 2006
		Stand-by Genset		1.25	Diesel	25	
Certificate of Compliance No. 05-05-GXT286e-7833	NPC Mak-Ban GPP	Geothermal	Brgy. Bitin, Bay, Laguna	Plant A 110 MW Plant D – 40 MW	Steam	[•]	May 31, 2005
			Brgy. Limao, Tamlong, Calauan, Laguna	Plant B – 110 MW Plant C – 110 MW		[•]	
			Brgy. Sta. Elena, Sto. Tomas, Batangas	Plant E – 40 MW		[•]	
Certificate of Compliance No. 05-12-GXT 286r-13736	NPC – Tiwi GPP	Geothermal	Brgy. Cale, Tiwi, Albay	275	Steam	[•]	December 12, 2005
Certificate of Compliance No. 06-04-GXT 286aa-14632	Ormat-Mak-Ban Binary GPP	Geothermal	Brgy. Sta. Elena, Sto. Tomas, Batangas Brgy. Bitin, Bay, Laguna Brgy. Tamlong, Calauan, Laguna	18.50	Steam	[•]	April 6, 2006

AP's generation companies, which operate hydroelectric facilities, are also required to obtain water permits from the NWRB for the water flow used to run their respective hydroelectric facilities. These permits specify the source of the water flow that the generation companies can use for their hydroelectric generation facility, as well as the allowable volume of water that can be used from the source of the water flow. Water permits have no expiration date and generally are not terminated by the Government as long as the holder of the permit complies with the terms of the permit regarding the use of the water flow and the allowable volume.

Distribution Business

Under the EPIRA, the business of electricity distribution is a regulated public utility business that requires a national franchise that can be granted only by the Congress of the Philippines. In addition to the legislative franchise, a Certificate of Public Convenience and Necessity from the ERC is also required to operate as a public utility. Except for distribution companies operating within ecozones, all distribution companies possess franchises granted by Philippine Congress.

All distribution utilities are required to submit to the ERC a statement of their compliance with the technical specifications prescribed in the Distribution Code (which provides the rules and regulations for the operation and maintenance of distribution systems), and the performance standards set out in the implementing rules and regulations of the EPIRA.

Shown below are the respective expiration periods of the Distribution Companies' legislative franchises:

	Expiration Date
VECO	2030
DLP	2025
CLP	2014
SFELAPCO	2025
SEZ[2]	2028

MEZ and BEZ, which operate the power distribution utilities in MEPZ II and the WCIP, respectively, are duly registered with PEZA as Ecozone Utilities Enterprises.

Supply Business

The business of supplying electricity is currently being undertaken solely by franchised distribution utilities. However, once Retail Competition and Open Access starts, the supply function will become competitive. Like power generation, the business of supplying electricity is not considered a public utility operation under the EPIRA. However, it is considered a business affected with public interest. As such, the EPIRA requires all suppliers of electricity to end-users in the Contestable Market, other than distribution utilities within their franchise areas, to obtain a license from the ERC in accordance with the ERC's rules and regulations. In preparation for the implementation of Retail Competition and Open Access, AP's wholly-owned subsidiaries, AESI and Adventenergy, Inc. obtained separate licenses to act as Retail Electricity Suppliers and Wholesale Aggregators.

Trademarks

AP and its subsidiaries have applications pending for the registration of intellectual property rights for various trademarks associated with their corporate names and logos. The following table sets out information regarding the trademark applications the Company and its subsidiaries have filed with the Philippine Intellectual Property Office.

Trademarks	Applicant	Date Filed	Certificate of Registration No./Date Issued	Description	Status
ABOITIZ ENERGY SOLUTIONS, INC.	AESI	January 25, 2007	4-2007-000784 September 03, 2007.	Application for trademark ABOITIZ ENERGY SOLUTIONS and Device	Original Certificate of Registration for the ABOITIZ ENERGY SOLUTIONS & DEVICE was issued on September 03, 2007

[2] Distribution Service Management Agreement with the Subic Bay Metropolitan Authority

Trademarks	Applicant	Date Filed	Certificate of Registration No./Date Issued	Description	Status
CLEANERGY	AP	October 19, 2001	4-2001-07900. January 13, 2006	Application for trademark "Cleanergy"	Original Certificate of Registration for the mark CLEANERGY was issued on January 13, 2006
CLEANERGY & DEVICE	AP	July 30, 2002	4-2002-6293 July 16, 2007	Application for trademark Cleanergy and Device with the representation of a lightbulb with three leaves attached to it, with the words "CLEANERGY" and a small "ABOITIZ" diamond logo below it	Original Certificate of Registration no. 4-2002-006293 was issued on July 16, 2007
POWER ONE (wordmark)	AESI	July 29, 2002	4-2002-6232 February 19, 2007	This is an application for trademark "Power One"	Original Certificate of Registration was issued on February 19, 2007.
POWER ONE & DEVICE	AESI	February 17, 1999	4-1999-001121 September 18,2006	Application for trademark " Power One and Device "	Original Certificate of Registration no. 4-1999-001121 was issued on September 18, 2006.
SUBIC ENERZONE CORP. & LOGO (color claim)	SEZC	July 6, 2006	4-2006-07306 August 20,2007	Trademark Application for Subic Enerzone Corporation and Logo (blue & yellow). The mark consists of the words "Subic Enerzone" in fujiyama extra bold font with the word "Corporation" below it, also in fujiyama font, rendered in cobalt	Original Certificate of Registration No. 4-2006-007306 was issued on August 20, 2007.

Trademarks	Applicant	Date Filed	Certificate of Registration No./Date Issued	Description	Status
				medium blue color, and a representation of the letter "S" taking the shape of a flame (the company logo) above the words. The logo is likewise rendered in the cobalt medium blue color, in a yellow background	
SUBIC ENERZONE CORP. & LOGO (gray)	SEZC	July 6, 2006	4-2006-07305 August 20,2007	Trademark Application for Subic Enerzone Corp. wordmark and logo (gray). The mark consists of the words "SUBIC ENERZONE" in Fujiyama extra bold font with the word "Corporation" below it, also in Fujiyama font, and a representation of the letter "S" taking the shape of a flame (the company logo) above the words.	Original Certificate of Registration No. 4-2006-007306 was issued on August 20, 2007.
SUBIC ENERZONE CORPORATION (wordmark)	SEZC	July 6, 2006	4-2006-007304 June 4, 2007	Trademark Application for Subic Enerzone Corporation (wordmark)	Original Certificate of Registration was issued on June 4, 2007.
RP Energy and Device	RP Energy	August 12, 2008	4-2008-009737 April 13, 2009	Trademark application for energy generation under class 39. A representation of 2 mountains, colored blue and	Original Certificate was issued on April 13, 2009

Trademarks	Applicant	Date Filed	Certificate of Registration No./Date Issued	Description	Status
				red, with the representation of the sun over them, and the words "RP Energy" and "Redondo Peninsula Energy Incorporated" below it.	

(x) Effect of Existing or Probable Government Regulations on the Business

Since the enactment of the EPIRA in 2001, the Philippine power industry has undergone and continues to undergo significant restructuring. Through the EPIRA, the Government has begun to institute major reforms with the goal of fully privatizing all sectors of the power industry. Among the provisions of the EPIRA which have or will have considerable impact on AP's businesses are the following:

Wholesale Electricity Spot Market

The WESM, a spot market for the buying and selling of electricity, is a mechanism established by the EPIRA to facilitate competition in the production and consumption of electricity. It aims to: (a) provide incentives for the cost-efficient dispatch of power through an economic merit order; (b) create reliable price signals to assist participants in weighing investment options; and (c) protect a fair and level playing field for suppliers and buyers of electricity, wherein prices are driven by market forces.

The WESM provides a venue whereby generators may sell power, and at the same time suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two. Although generators are allowed under the WESM to transact through bilateral contracts, these contracts will have to be "offered" to the market for the purpose of determining the appropriate merit order of generators. Settlement for bilateral contracts will, however, occur outside the market between the contracting parties. Traded electricity, not covered by bilateral contracts, will be settled through the market on the basis of the market clearing prices for each of the trading periods.

Open Access and Retail Competition

The EPIRA likewise provides for a system of Open Access to transmission and distribution wires, whereby Transco, its concessionaire and any distribution utility may not refuse use of their wires by qualified persons, subject to the payment of transmission and distribution retail wheeling charges. Conditions for the commencement of the Open Access system 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.

The Government expects Retail Competition and Open Access to be implemented in phases. As far as Luzon is concerned, the WESM began operations in June 2006 and End-users who comprise the Contestable Market have already been identified. The WESM for the Visayas began trial operations sometime in 2007. Open Access in Luzon and the Visayas will commence once preconditions thereto as provided under the EPIRA have been complied with. In Mindanao, a truly competitive environment required by Retail Competition is not expected to exist prior to at least 2011 because the largest generating asset owned by NPC in Mindanao cannot by law be privatized for at least 10 years from the passage of EPIRA.

Upon implementation of Open Access, the various contracts entered into by utilities or suppliers may potentially be "stranded." Stranded contract costs refer to the excess of the contracted costs of electricity under eligible contracts over the actual selling price of the contracted energy under such contracts in the market.

Interim Open Access/Power Supply Option Program

Power industry players filed a petition with the ERC docketed as ERC Case No. 2008-026 RC entitled "In the Matter of the Petition for Approval of Interim Open Access (IOA) in the Luzon and Visayas Grid to implement an open access prior to satisfaction of conditions laid down under the EPIRA." The ERC approved this application with modifications emphasizing the voluntary nature of the proposed IOA where the choice of whether or not to participate in the IOA is left to the DU and its eligible customers. The ERC ruled that considering the primary and ultimate goal of the IOA is to provide large end users additional options for power supply, it would instead consider the proposal as the "Power Supply Option Program" (PSOP).

On January 25, 2010, the ERC promulgated Resolution No. 01, Series of 2010, otherwise known as "A Resolution Adopting the Rules for the Power Supply Option Program" (the "PSOP Rules"). The PSOP Rules provides the regulatory framework for the implementation of the Power Supply Option Program (the "PSOP"), including guidelines on the eligibility of potential participants to the PSOP, the manner of entry and exit of these participants and the treatment of existing contracts during the implementation of the PSOP. The implementation of the PSOP within a franchise area is a voluntary act on the part of the distribution utility. Thus, only eligible customers within the franchise areas of eligible distribution utilities are allowed to participate in the program. The implementation of the PSOP is limited only to Luzon. Once the ERC declares the establishment of actual open access and retail competition, the PSOP and all contracts and transactions related thereto, other than the resolution of obligations and disputes arising therefrom, automatically terminate upon commencement date of Open Access and Retail Competition as determined by the ERC.

Under the Rules, PSOP Customers will consist of end—users with a monthly average peak demand of at least one (1) MW for the past 12 months prior to the implementation of the PSOP with a requirement for the threshold level of one (1) MW being retained throughout the duration of the PSOP. No aggregation of the demand requirements of end-users will be allowed. Only Eligible Suppliers (ES) as defined in the Rules are allowed to participate in the PSOP. These include: (i) generation companies, including NPC-successor generating companies, that are within the mandated market cap; (ii) NPC IPPs in relation to capacity not covered by contracts; (iii) IPP Administrators with respect to the uncontracted energy which is subject to their administration and management; and (iv) NPC/PSALM, upon compliance with the market share limitation under Section 45 of the EPIRA. To be considered as Eligible Supplier, a license as Retail Electricity Suppliers (RES) must have been secured from the ERC.

The PSOP shall commence 90 days after completion of either of the following conditions, whichever comes earlier: the transfer of the operations of the Calaca NPC generation asset or its equivalent in terms of capacity, or the privatization of at least 70% of the total capacity of the generation assets of NPC in Luzon and Visayas. Eligible suppliers shall provide all power requirements of its customers, except for energy related to distribution system losses, energy imbalances as defined in the WESM Rules, and line rental.

Unbundling of Rates and Removal of Subsidies

The EPIRA mandates the unbundling of distribution and wheeling charges from retail rates with such unbundled rates reflecting the respective costs of providing each service. The EPIRA also states that cross subsidies shall be phased out within a period not exceeding three (3) years from the establishment by the

ERC of a Universal Charge, which shall be collected from all electricity End-users. However, the ERC may extend the period for the removal of the cross-subsidies for a maximum of one (1) year if it determines there will be material adverse effect upon the public interest or an immediate, irreparable, and adverse financial effect on a distribution utility.

The EPIRA likewise provides for a socialized pricing mechanism called a lifeline rate to be set by the ERC for low-income, captive electricity consumers who cannot afford to pay the full cost of electricity. These End-users will be exempt from the cross-subsidy removal for a period of ten (10) years, unless extended by law.

Implementation of the Performance-based Rate-setting Regulation (PBR)

On December 13, 2006, the ERC issued the Rules for Setting Distribution Wheeling Rates (RDWR) for privately-owned distribution utilities entering PBR for the second and later entry points that sets out the manner in which this new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR is intended to replace the RORB that has historically determined the distribution charges paid by the Distribution Companies' customers. Under PBR, the distribution-related charges that distribution utilities can collect from customers over a four-year regulatory period will be set by reference to projected revenues which are reviewed and approved by the ERC and used by the ERC to determine a distribution utility's efficiency factor. For each year during the regulatory period, a distribution utility's distribution charges are adjusted upwards or downwards taking into consideration the utility's efficiency factor set against changes in overall consumer prices in the Philippines. The ERC has also implemented a performance incentive scheme whereby annual rate adjustments under PBR will also take into consideration the ability of a distribution utility to meet or exceed service performance targets set by the ERC, such as the average duration of power outages, the average time of restoration to customers and the average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

In December 2008, CLP was able to obtain its final determination on its PBR application and as of the date of this report, is already in the process of awaiting the results of ERC's evaluation for tariffs in its second regulatory year. In January 2009 DLP and VECO formally entered the reset process for its entry into the new performance-based ratemaking methodology. Submissions and examinations with the ERC were undertaken during 2009 and continue to date.

For SFELAPCO and SEZ, the reset process began on October 1, 2009. During the 18 months prior to the PBR start date for each Distribution Company, it will undergo a regulatory reset process through which the PBR rate control arrangements are established based on documents submitted by the Distribution Company in the ERC, ERC resolutions, and consultations with the Distribution Company and the general public.

Reduction of Taxes and Royalties on Indigenous Energy Resources

To equalize prices between imported and indigenous fuels, the EPIRA mandates the President of the Philippines to reduce the royalties, returns and taxes collected for the exploitation of all indigenous sources of energy, including but not limited to, natural gas and geothermal steam, so as to effect parity of tax treatment with the existing rates for imported coal, crude oil, bunker fuel and other imported fuels. Following the promulgation of the implementing rules and regulations, President Arroyo enacted Executive Order No. 100 to equalize the taxes among fuels used for power generation.

Proposed Amendments to the EPIRA

Since the enactment of the EPIRA, members of the Philippine Senate and House of Representatives have proposed amendments to the EPIRA. Some of the proposed amendments are discussed below.

(a) Disallow recovery of Stranded Contract costs;

(b) Require transmission charges, wheeling charges, connection fees, and retail rates to be approved by the ERC only after due notice and public hearing participated in by all interested parties;

(c) Exclude from the rate base the following items that Transco and the distribution utilities charge the public: corporate income tax, value of the franchise, value of real or personal property held for possible future growth, costs of over-adequate assets and facilities, and amount of all deposits as a condition for rendition and continuation of service;

(d) Prohibit cross-ownership between generation companies and distribution utilities or any of their subsidiaries, affiliates, stockholders, officials, or directors, or the officials, directors, or other stockholders of such subsidiaries or affiliates, including the relatives of such stockholders, officials, or directors within the fourth civil degree of consanguinity;

(e) Prohibit distribution utilities under a bilateral electric power supply contract from sourcing more than 33% of its total electric power supply requirements from a single generation company or from a group of generating companies wholly owned or controlled by the same interests. On the effectiveness of the proposed law, any distribution utility that has contracts which exceed the allowable 33% limit will be directed to desist from further awarding additional electric power supply contracts with any generation company or group of generating companies wholly owned or controlled by the same interests, until its present electric power supply requirements, when added to the proposed additional electric power supply contract or contracts with any generation company or group of generating companies wholly owned or controlled by the same interests shall comply with the 33% limit.

The Renewable Energy Act of 2008

Republic Act No. 9513, the Renewable Energy Act of 2008 (RE Law), is a landmark legislation and is said to be the most comprehensive renewable energy law in Southeast Asia. The RE Law was signed into law by President Gloria M. Arroyo in December 16, 2008 but took effect on January 31, 2009.

The RE Law's declared policy is to encourage and develop the use of renewable energy resources of the country to reduce the country's dependence on fossil fuels and reduce overall costs of energy, and reduce, if not prevent harmful emissions into the environment to promote health and sustainable environment.

The RE Law imposes a government share on existing and new RE development projects at a rate of 1% of gross income from sale of renewable energy and other incidental income from generation, transmission and sale of electric power and a rate of 1.5% of gross income for indigenous geothermal energy. Micro-scale projects for communal purposes and non-commercial operations with capacity not exceeding 100 kW will not be subject to the government share.

More importantly, the RE Law offers fiscal and non-fiscal incentives to RE developers of RE facilities, including hybrid systems, subject to a certification from Department of Energy (DOE), in consultation with the BOI. These incentives include income tax holiday for the first seven years of operation; duty-free importations of RE machinery, equipment and materials effective within ten years upon issuance of certification, provided, said machinery, equipment and materials are directly, exclusively and actually used in RE facilities; special realty tax rates on equipment and machinery not exceeding 1.5% of the net book value; net operating loss carry-over (nolco); corporate tax rate of 10% after the 7th year; accelerated depreciation; zero-percent value-added tax on sale of fuel or power generated from emerging energy sources and purchases of local supply of goods, properties and services of RE facilities; cash incentives for RE developers for missionary electrification; tax exemption on carbon emission credits; tax credit on domestic capital equipment and services. All fiscal incentives apply to all RE capacities upon effectivity of the RE Law. RE producers are also given the option to pay Transco transmission and wheeling charges on a per kilowatt-hour basis and are given priority dispatch. RE producers are likewise exempted from universal charge imposed under the EPIRA. In addition, the RE Law provides a financial assistance program from government financial institutions for the development, utilization and commercialization of renewable energy projects, as may be recommended and endorsed by the DOE.

New ERC Regulation on Systems Loss Cap Reduction

Under ERC Resolution No. 17, Series of 2008, which amends the systems loss caps adopted by Republic Act No. 7832 (Anti-Pilferage of Electricity and Theft of Electric Transmission Lines/Materials Act of 1994), the actual recoverable system losses of distribution utilities will be reduced from 9.5% to 8.5%. The new system loss caps are intended for implementation in January 2010.

Under ERC Resolution No. 17, Series of 2008, actual company use of electricity shall be treated as an expense of the distribution utilities in accordance with the following rules: for distribution utilities that are yet to enter PBR, the actual use shall be treated as Operation and Maintenance in their PBR applications; and for distribution utilities that are already under PBR, the actual use shall be treated as Operation and Maintenance in their subsequent reset.

(xi) Estimate of Amount Spent for Research and Development Activities

AP and its subsidiaries do not allocate specific amounts or fixed percentages for research and development. All research and developmental activities are done by AP's subsidiaries and affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

(xii) Costs and Effect of Compliance with Environmental Laws

AP's power generation and distribution operations are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations, such as the Clean Air Act (Republic Act No. 8749), address, among other things, air emissions, wastewater discharges, the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials and waste, workplace conditions and employee exposure to hazardous substances. Each of AP generation and distribution companies has incurred, and expects to continue to incur, operating costs to comply with such laws and regulations. In addition, each of AP's generation and distribution companies has made and expects to make capital expenditures on an ongoing basis to comply with safety, health and environmental laws and regulations. AP's hydropower companies allocate a budget for watershed management system in the respective watersheds where their projects are located.

The Renewable Energy Act adds new and evolving measures that must be complied with. The law ushers new opportunities for the Company and sets competitive challenges. The Renewable Portfolio Standard supports the growth of renewable energy in the Philippines. The Renewable Energy Market, Green Energy Option and Net Metering will redefine the competitive landscape of the industry.

Further, the adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require that the Company make additional capital expenditures or incur additional operating expenses in order to maintain the operations of its generating facilities at their current level, curtail power generation or take other actions that could have a material adverse effect on the Company's financial condition, results of operations and cash flow.

In 2009, AP and its component companies did not incur any major sanctions for violation of environmental standards and law. Investments for occupational health and safety measures paid off for some companies who have gained recognition for operating without accidents.

Regulations such as Energy Regulation 1-94 gets the companies to allocate funds for the benefit of host communities. Compliance is not only for protection of the natural environment but also of the communities that inhabit the landscape. AP continues to be cognizant of new opportunities to comply with regulatory requirements and improvement of systems to prevent adverse impacts to the environment or affected ecosystems.

(xiii) Employees

On the parent company level, AP has a total of 72 employees as of February 28, 2010, composed of executive, supervisory, and rank and file staff. There is no existing collective bargaining agreement covering AP employees.

As of December 31, 2009, the Company, its consolidated subsidiaries, LHC, VECO, SNAP-Benguet, SNAP-Magat, EAUC and MORE employed a total of [•] employees, of which [•] [[•] if including MORE] are directly employed by the Company and its consolidated subsidiaries.

Management believes that the Company's current relationship with its employees is generally good and neither the Company nor any of its subsidiaries (including VECO) have experienced a work stoppage as a result of labor disagreements. However, 116 former employees of VECO who voluntarily accepted payments under VECO's redundancy program have filed labor cases alleging that they were illegally dismissed. VECO has vigorously defended itself and the cases are pending resolution with the National Labor Relations Commission.

The following table provides a breakdown of total employee headcount on a per company basis, divided by function, as of September 30, 2009.

The Company does not anticipate any increase in manpower within the next 12 months unless new development projects and acquisitions would materially require an increase. The Company cannot provide definite figures as to future manpower requirements of new development projects and acquisitions since the realization of such projects are dependent on, among others, the ability of the Company to win bids in the privatization of power plants.

Business Unit (As of September 30, 2009)	Number of Employees					Unionized	Expiry
	Total	Executives	Managers	Supervisors	Rank & File	Employees	of CBA
Aboitiz Power Corporation (as of February 28, 2010)	72	29	10	3	30	–	NA
Aboitiz Energy Solutions, Inc.	13	0	2	2	9	0	NA
Balamban Enerzone Corporation	7	0	0	1	6	0	NA
Mactan Enerzone Corporation	17	0	1	1	15	0	NA
Philippine Hydropower Corporation	6	6	0	0	0	0	NA
Cebu Private Power Corporation	44	0	2	12	30	0	NA
East Asia Utilities Corporation	42	1	3	14	24	0	NA
Luzon Hydro Corporation	39	3	4	4	28	0	NA
Manila-Oslo Renewable Enterprise, Inc.	46	2	10	33	1	0	NA
Subic Enerzone Corporation	52	4	1	5	42	0	NA
SN Aboitiz Power-Magat, Inc.	52	0	1	23	28	0	NA
SN Aboitiz Power-Benguet, Inc.	112	0	5	60	47	0	NA
Abovant Holdings Inc.	7	7	0	0	0	0	NA
STEAG State Power Inc.	192	3	18	37	134	0	NA
Western Mindanao Power Corporation	73	0	3	18	52	0	NA
Southern Philippines Power Corporation	69	0	4	17	48	0	NA
Cotabato Light & Power Company	64	0	1	13	50	49	6/30/14
Davao Light & Power Company, Inc.	282	14	25	64	179	205	6/15/11
Hedcor, Inc.	273	8	7	17	241	249	9/19/13
Visayan Electric Company, Inc.	309	10	20	22	257	417	12/31/11
San Fernando Electric Light and Power Company (still awaiting updates as of 2010)	92	2	3	19	68	68	5/31/11
TOTAL NO. OF EMPLOYEES	**1,771**						

(xiv) Major Risk/s Involved in the Business

Certain risks are inherent to the businesses that AP and its investee companies are engaged in. Through prudent management and investment decisions, AP constantly strives to minimize the impact of such risks on its businesses. The following are the major risks inherent to AP's businesses:

Increased competition in the power industry could have a significant adverse impact on the Company's operations and financial performance

In recent years, the Government has sought to implement measures designed to establish a competitive energy market. In 2001, the Philippine legislature enacted Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA). Its purpose is to establish a transparent and efficient market for the competitive trading of electricity, and to encourage private investment in the power industry. EPIRA includes the privatization of substantially all NPC owned power generation facilities, all NPC controlled capacity through IPP agreements, and all Government owned and operated transmission facilities, and the establishment of a wholesale spot market for electricity. To date, more than 70% of NPC's assets have been privatized. A 70% level of generation asset in Luzon and Visayas divestiture is targeted by the Government. The WESM was declared operational in Luzon on June 23, 2006.

The move towards a more competitive environment could result in the emergence of new and numerous competitors. Some of these competitors may have greater financial resources, more extensive operational experience, and thus be more successful than the Company in acquiring existing power generation facilities or in obtaining financing for and the construction of new power generation facilities.

The impact of the ongoing restructuring of the Philippine power industry may also affect the Company's financial position, results of operations and cash flows in various ways. For example, contract life of power supply agreements is shorter under the deregulated environment. This subjects the Generation Companies to more price volatility as pricing during contract negotiation will be greatly affected by existing supply and demand situation.

The Company's acquisition strategy, however, has been one of prudence and careful selection. The Company bids for generation assets in which it feels it has a competitive advantage over its competitors; either in the form of (a) technical expertise leading to being a low cost producer or (b) the ability to sell the power generated.

The Company maintains technical expertise and advantage in running and building hydro plants. Such advantage has been built through several years of experience. In plant types where the Company has limited technical expertise, the Company enters into partnerships with entities that possess such expertise, allowing for the transfer of said expertise to the Company.

The Company's geographically scattered distribution business also provides a reliable customer base of approximately 600,000 customers for its Generation Companies. Such customers have been successfully served by the Aboitiz Group for several years, a first contact advantage not enjoyed by other players.

In addition, because of the geographically scattered distribution of its Distribution Companies and Generation Companies, the Company is still below the grid limits restriction provided under EPIRA.

Extreme variations in hydrological conditions can adversely affect the results of operations of the Generation Companies

As of the date of this report, hydroelectric plants account for approximately 18% of the total attributable generation capacity of the Generation Companies. Hydroelectric generation in the regions of the Philippines where the Generation Companies operate vary from period to period, and is dependent on the amount and location of rainfall and river flows in these regions. In years of less favorable hydrological conditions, such as periods of drought or when the El Niño weather phenomenon occurs, the amount of electricity the Generation Companies' hydroelectric plants generate and sell under their respective PPAs or through the WESM may be reduced.

Hedcor Sibulan is contractually required to supply fixed amounts of electricity under its PSA. Adverse hydrological conditions may affect its ability to meet the requirements of its PSA. Conversely, if hydrological conditions are such that too much rainfall occurs at any one time, water may flow too quickly, at volumes in excess of a particular hydroelectric plant's water intake capacity, which may cause clogged intakes and may result in shutdowns. Any of these events could reduce Hedcor Sibulan's revenues from the sale of electricity, or require Hedcor Sibulan to pay damages to its offtaker. Although, the balance of the Company's contracted hydroelectric portfolio do not have fixed supply amounts, they are likewise subject to the same abovementioned risk in that revenues are earned solely on what is actually generated.

In relation to the foregoing, the Company's impounding hydroelectric power plants, namely Magat and Ambuklao–Binga have large impounding dams, which allow for the storing of water used for generating electricity. Magat, one of the Company's merchant hydroelectric plants, has the ability to store water equivalent to one month of generating capacity; while Ambuklao–Binga, the Company's other merchant hydro plant, has the ability to store water equivalent to two weeks of generating capacity. This flexibility allows for the generation and sale of electricity at the peak hours of the day and in times of high spot prices and deferment of generation in time of low spot prices.

Historically, there has been an inverse relationship between rainfall and spot prices. In times of high rainfall, prices of electricity drop as expensive fossil fuel supply is displaced by cheaper hydroelectric capacity. This likewise results to higher generation volume for the Company's hydroelectric plants thus protecting the Company's revenue levels. In times of low rainfall, a drop in generation volume is partially offset by higher spot prices, which are in turn brought about by supply served by more expensive fossil fuel-fired plants. As hydroelectric power plants have no fuel costs, EBITDA is protected.

In addition, hydroelectric power plants have no fuel costs and thus, have no marginal costs. Hydroelectric plants can therefore sell at prices below the marginal fuel costs of fossil fuel-fired plants and still generate cash.

Thus, the ability of the merchant hydros to store water, provides the Company with upside by maintaining the flexibility to sell power during high price periods and downside protection in the form of price floors defined by the marginal cost of fossil fuel-fired plants.

Finally, the Philippines, being a tropical country, has regular seasonal rainfall patterns.

Significant and unpredictable price fluctuations in the wholesale power markets and other market factors could have a material and adverse effect on the financial performance of Therma Luzon, APRI, SNAP-Magat and SNAP-Benguet

Power prices are subject to significant volatility from supply and demand imbalances. From the time the WESM for Luzon began operating in June 2006, market prices for electric power have fluctuated substantially.

Long-term and short-term power prices may also fluctuate substantially due to other factors outside of the Company's control, which include the following:

(a) increases and decreases in generation capacity in the Company's markets, including the addition of new supplies of power from existing competitors or new market entrants as a result of the development of new generation plants, expansion of existing plants or additional transmission capacity;

(b) changes in power transmission capacity constraints or fuel transportation inefficiencies;

(c) electric supply disruptions, including plant outages and transmission disruptions;

(d) weather conditions;

(e) changes in the demand for power or in patterns of power usage, including the potential development of demand-side management tools and practices;

(f) availability of competitively priced alternative power sources;

(g) development of new fuels and new technologies for the production of power;

(h) natural disasters, wars, embargoes, terrorist attacks and other catastrophic events; and

(i) Government power market and environmental regulations and legislation.

(j) movements in the price of coal and oil-based fuel

These factors have caused and are expected to cause fluctuation or instability in the operating results of the Generation Companies, particularly of Therma Luzon, APRI, SNAP-Magat and SNAP-Benguet, as these companies sell a substantial portion of electricity generated to the WESM and to large end-users.

The volatility of the spot market provides opportunities in terms of price spikes. The supply situation and its reliability in the Philippines is not expected to improve throughout the next three to four years with minimal capacity expected to come on stream and an aging power supply inventory. Compounded with rising demand for power as projected by the DOE, tightness in the market is expected to keep future spot power rates at favourable levels.

From a portfolio perspective, the risk taken in the spot market is balanced off by the capacity fee-based generation assets, generation based contracted capacity and the distribution business of the Company, which has to a certain extent, predictable returns.

Magat and Binga, AP's merchant hydroelectric plants, have the ability to store water equivalent to one (1) month and two (2) weeks respectively of generating capacity, allowing for the generation and sale of electricity at the peak hours of the day which command premium prices. The hydroelectric plants' source of upside, water, as a source of fuel and the ability to store it, is also the source of limited downside. Both Magat and Binga have minimal marginal costs granting them competitive advantage in terms of economic dispatch order versus other fuel-fired power plants that have significant marginal cash costs. SNAP-Magat sells most of the electricity generated by the Magat Plant through the WESM. Electricity generated by the Binga hydroelectric plant, on the other hand, is sold through the WESM.

Therma Luzon sells most of its power through the WESM. It runs the risk of spot prices falling below its marginal cost of power (fuel plus energy fees) when there is a glut of supply in the WESM. Such an event will lead to generation curtailment which in turn will create opportunity cost for Therma Luzon.

APRI sells a considerable portion of its power through the WESM. Like Therma Luzon, APRI runs the risk of spot prices falling to below its marginal cost of steam when there is oversupply in the WESM. Such an event would result in curtailment of generation, costing APRI the price of unused vented steam resource.

The four companies are looking to hedge these merchant risks by contracting more of their power under more price-stable bilateral contracts.

Therma Luzon has no long-term coal supply contract at present but has existing supply contracts to meet the Pagbilao plant's coal requirements until December 2010. While Therma Luzon's objective is to enter into long-term coal supply agreements, it wants to first establish more Indonesian coal sources to give it flexibility in its coal sourcing and allow it to purchase competitively-priced coal in the market.

The Company's ability to increase revenues from power generation depends to a certain extent on the existence of transmission infrastructure with sufficient capacity to transmit the generating capacity of its existing and future power plants

As of the date of this report, the Philippines' electric transmission infrastructure continues to experience constraints on the amount of electricity that can be transmitted (or "wheeled") from power plants to off-takers. The lack of improvement in transmission infrastructure has primarily been caused by a delay in the privatization of Transco as required under the EPIRA, which in turn has delayed the implementation of projects to be undertaken by Transco, which is responsible for maintaining and ensuring the sufficiency of the power transmission infrastructure in the Philippines. If these transmission constraints continue, the volume of electricity that off-takers, such as NPC, distribution utilities and other large purchasers, dispatch from independent power producers (IPPs) could be adversely affected. These transmission constraints could have an impact on some of the Generation Companies' generation facilities, particularly Hedcor's facilities in Northern Luzon and SNAP-Magat and SNAP-Benguet's hydroelectric plant, which are not located near the End-users to whom these companies sell, or plan to sell. Any transmission constraints, therefore, could have an adverse impact on the level of revenues the Company generates from its power generation business.

However, with the successful privatization of Transco in January of 2009, it is expected that the new private owners will make the necessary investments to upgrade the transmission system and infrastructure into a reliable and efficient transmission network.

Risks related to Tiwi-MakBan Complex

A portion of Tiwi-MakBan's generation is covered and sold through bilateral contracts. The balance is subject to merchant risks, including both market and spot price risks. The Company, however, endeavors to continue with its aggressive marketing efforts to ensure that the remaining output of Tiwi-MakBan will be covered by bilateral contracts.

As regards to steam supply, it is possible that the steam resource will decline faster than anticipated. It is likewise possible that the steam output will not be as favourable as expected, thereby reducing the capacity of the Tiwi-MakBan plants to generate the expected volume of output. To assist it in its fair assessment of the steam fields, the Company engaged Thermasource, the worldwide leader in geothermal drilling and consulting, as the steam consultants to evaluate the steam resource in preparation for the bid. Based on the study of the consultants, aggressive provisions have been made, taking into account the decline of the resource, which was identified and imputed into all evaluation models and financial forecasts.

The Company believes that the fact that Chevron, the largest producer of geothermal energy in the world, is the steam contractor further mitigates the risks inherent in the supply of steam. Chevron has proven itself capable of managing the resource efficiently, having almost forty (40) years of experience in developing, operating and maintaining the Tiwi-MakBan steamfields.

Some of the PPAs entered into by the Distribution Companies have "take or pay" provisions, regardless of the level of demand from customers

Under the PPAs between some of the Distribution Companies, and IPPs (such as the Generation Companies) and power suppliers (such as NPC), the Distribution Companies are obligated to take or pay for minimum levels of electric power generated by such power suppliers. These minimum levels are determined by the Distribution Companies based on their expectations and forecasts regarding electric consumption and demand growth within their franchise areas. If the level of electric consumption is below the level forecasted by the Distribution Companies, it is possible that they will have to pay their power suppliers for the contracted level of electric power agreed to in the relevant PPAs, regardless of the sufficiency demand from the Distribution Companies' customers. Although the Distribution Companies are allowed under the terms of their PPAs to on-sell to other buyers the electric power they are unable to sell to customers within their franchise areas, there is no assurance that the Distribution Companies will be able to do so. As a result, if the Distribution Companies are required to pay for a material volume of unsold electric power, it could materially and adversely affect the Company's business, financial conditions and results of operations.

It must be noted, however, that projected demands, which are used as basis for the take or pay provision, are based on inputs and commitments from the Distribution Companies' larger customers, taking into account economic projections. In addition, NPC contracts allow for 20% positive variances without penalties.

To mitigate this further, the Distribution Companies in Mindanao have pooled their contracts thereby decreasing the risk of breaching the 20% allowable variance of NPC. A similar arrangement is currently being negotiated for the three Visayas-based Distribution Companies of the Company.

The rates that the Distribution Companies are allowed to charge their customers are largely determined by the ERC

The Distribution Companies are heavily regulated, and the components of the amounts that they are allowed to charge their customers are determined, in large part, by the ERC. The Distribution Companies are routinely involved in proceedings before the ERC, including general rate adjustment cases and those relating to various other aspects of their rates. Decisions made by the ERC could have a material impact on the results of operations, financial condition and liquidity of the Company and the Distribution Companies.

The ERC has issued the Rules for RDWR that sets out the manner in which a new rate-making regulatory mechanism for distribution charges called PBR will be implemented. PBR replaces the return-on-rate-base rate-setting system (RORB) that was previously used to determine distribution charges. Under PBR, the distribution charges that distribution utilities can collect over a four-year regulatory period will be set by reference to projected revenues based on: allowable returns on assets, operating expenses and depreciation for each distribution utility, which are reviewed and approved by the ERC. For each year of the regulatory period, the distribution charges which a distribution utility can collect are adjusted upwards or downwards taking into consideration: changes in the interest rate environment which affect the calculation of allowable returns, the distribution utility's efficiency factor set against certain pre-approved targets, changes in overall consumer prices in the Philippines and foreign exchange movements.

As a result, should the Distribution Companies' projections prove inaccurate, the distribution charges the Distribution Companies collect under PBR, may not be sufficient to allow them to operate efficiently and to fully recover their expenses. Further, in recent years, increases in distribution charges approved by the ERC have been successfully challenged in court, particularly those involving the largest private distribution utility in the Philippines, Manila Electric Company. Distribution utilities have also been required to provide refunds to customers in certain cases. There is no assurance, therefore, that any distribution charges approved by the ERC, whether under PBR or otherwise, will not be contested in and overturned by Philippine courts or that the Distribution Companies will not be required to refund amounts to customers if the increases of distribution charges are overturned. Any of the foregoing events could materially and adversely affect the performance of the Distribution Companies and the Company's business, financial condition and results of operations.

The implementation of the PBR-based rate adjustment formula for the Distribution Companies is on a staggered basis. The ERC has issued its Final Determination on CLP's application for approval of its annual revenue requirement and performance incentive scheme under the PBR scheme. This covers the second regulatory 4-year period, which commenced on April 1, 2009.

On April 15, 2009, the ERC approved CLP's application for translation of its approved annual revenue requirement for the first regulatory year into applicable rates per customer class. CLP implemented the approved rates last May 1, 2009 - a month after the start of the first regulatory year. The resulting under recovery from the one-month lag will be reflected and recovered in the next regulatory year's rate translation application.

CLP filed its application for translation of its approved annual revenue requirement for the second regulatory year into applicable rates per customer class last December 18, 2009. ERC conducted its public hearing last January 27, 2010 in ERC, Pasig City. The decision on the rate translation application of the second regulatory year, which will commence on April 1, 2010 until March 30, 2011, is expected to be released on March 30, 2010 and is expected to be implemented on April 1, 2010.

VECO entered its reset period in end 2008 under the Performance-based Rate-setting Regulation (PBR), and is expected to enter the 4-year regulatory period on July 1, 2010.

DLP entered its reset period under the PBR in January 2009, and is expected to enter the 4-year regulatory period in July 1, 2010.

SFELAPCO and SEZ are part of the fourth batch of private utilities to enter PBR, and are expected to enter their respective 4-year regulatory period by April 1, 2011.

In addition to the annual adjustments described above, PBR allows for rate adjustments in between the re-set 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.

The Company's strategy in running its utilities is one of providing world-class service at the least possible cost. Providing value to its customers allows the Company credibility and the ability to successfully implement justified rate increases. This, along with a transparent and open relationship of over 70 years with the regulators, ensures the Company's continued ability to successfully apply and implement rate increases.

The Distribution Companies' business could be adversely affected by potential shortages in the supply of power from generation facilities, volatile markets for purchased power, changes in customer demand or a failure of its suppliers to deliver power

This risk is no longer relevant as with PBR a rate adjustment can be applied for immediately - check with Chona Tiu)

The power distribution business involves many operating risks that can affect the ability of a distribution company to supply electricity to its customers or may increase its costs for an extended period of time to a level that significantly exceed what can be recovered from customers. Factors which could affect the operations of the Distribution Companies or increase their respective costs, including generation costs, include:

(a) depreciation of the peso against foreign currencies, such as the U.S. dollar;

(b) below normal energy generated by the Distribution Companies' power suppliers;

(c) extended outages of power suppliers' generating facilities or of the transmission lines that deliver energy to load centers;

(d) failure to perform on the part of any party, from which the Distribution Companies purchase capacity or energy; and

(e) the effects of large-scale natural disasters, including the destruction of distribution facilities and equipment.

Under PBR, Distribution tariffs are adjusted annually to account for depreciation of the peso against the US dollar. In addition, PBR allows for rate adjustments in between the re-set periods to address extraordinary circumstances. There is also a mandatory rate-setting every four years wherein adjustments to the rate take into account current situations.

In this regard, potential power supply shortages foreseen in both the Visayas and Mindanao markets are being addressed by the ongoing Greenfield projects undertaken by the Company. The Company likewise constantly monitors the supply situation in order to address potential shortfall problems before they can actually impact the distribution companies.

In addition, some of the Distribution Companies have alternative sources of supply. VECO has existing PPAs with Cebu-based IPP's other than NPC (i.e. TPC, CPPC and EAUC), while DLP and CLP have their own back-up power plants. These alternative sources of supply are imbedded into the utilities' franchise areas thus bypassing transmission lines, further providing a hedge against the risk of disruptions in the transmission grid.

The ability of Philippine consumers to absorb increased electricity costs may be limited

According to the National Statistical Coordination Board of the Philippines, the Philippines' nominal gross domestic product (GDP) per capita in 2008 was approximately ₱[•]. Although Distribution Companies are currently able to automatically pass on all of their generation costs to their customers, generation costs may rise to levels that the average Philippine consumer may not be able to absorb. Continued increases in electricity costs could result from, among other things, fluctuations in the exchange rate between the peso and foreign currencies such as the U.S. Dollar, shortages in the supply of electricity and other inflationary pressures. This may result in customers reducing their electricity consumption or in an increase in illegal connections or pilferage, any of which could materially and adversely affect the Company's business, financial condition and results of operations.

Electricity demand is inelastic at certain levels wherein essential appliances and industries need to operate. In addition, the present and future ratemaking structures allow recovery of expenses and capital in negative and low growth scenarios. Lastly, the Distribution Companies maintain constantly evolving anti-pilferage programs.

If the Distribution Companies' electricity losses exceed Government-mandated caps, their results of operations could be adversely affected

The Distribution Companies experience two types of electricity losses: technical losses and non-technical losses. Technical losses are losses that occur in the ordinary course of distributing and transmitting electricity. Non-technical losses are losses that result from illegal connections, inaccurate meters, fraud and under billing. Republic Act 7832 (or the "Anti-Electricity and Electric Transmission Lines/Materials Pilferage Act of 1994") sets the system loss caps for distribution utilities and electric cooperatives. Pursuant to this law, the ERC allowed distribution utilities to charge customers for electricity losses, as long as electricity losses do not exceed 9.5% of the total electricity distributed by these distribution utilities. In excess of the 9.5% ceiling, distribution utilities can no longer pass on to customers costs relating to electricity losses. The ERC recently adopted Resolution No. 17, Series of 2008 dated December 8, 2008, lowering the allowable system loss caps of distribution utilities to 8.5%. This resolution will take effect January 2010.

The following summarizes the electric losses of the Distribution Companies in 2009 and for 2008.

Systems Loss

	DLP	CLP	VECO	SFELAPCO	SEZ	MEZ	BEZ
2009	7.94%	10.36%	9.14%	6.49%	1.22%	0.83%	2.13%
2008	7.9%	10.85%	9.53%	6.13%	2.15%	0.76%	1.64%

The Distribution Companies, however, are continuously looking at reducing both technical and non-technical loss by improving efficiency and enhancing anti-pilferage programs.

The franchises of the Distribution Companies are subject to renewal at the discretion of the Philippine Congress. In the event of breach of the terms and conditions of the franchise, the Distribution Companies are exposed to risk of penalty, fines, and depending on the gravity of breach, the termination of such franchise

Each of the Distribution Companies carries out its power distribution activities pursuant to a franchise granted by the Government. Each franchise sets forth certain terms and conditions which the relevant Distribution Company must comply with in order to maintain its franchise. The Government has the power to terminate any of these franchises prior to the end of the franchise term in case of bankruptcy or dissolution of the relevant Distribution Company, or by means of expropriation for reasons related to the public interest.

These franchises are granted for 25-year periods, with the Distribution Companies' franchise periods ranging from 2011 (for SFELAPCO) to 2028 (for VECO). Under Philippine law, the franchises of the Distribution Companies may be renewed by the Philippine Congress, provided that certain requirements related to the rendering of public services are met.

The Company believes that each of the Distribution Companies is currently in compliance with all of the material terms of its respective franchise. However, the Company cannot provide any assurance that any, some or all of the Distribution Companies will not be penalized by the Government for breaching the terms of their respective franchises or that any, some or all of these franchises will not be terminated in the future. In addition, although the Government is required under the Philippine Constitution to provide "just compensation" in the event of an expropriation, the determination of what constitutes just compensation is subject to judicial discretion, which amount may not be sufficient for Distribution Companies to realize the full value of their assets. Further, if any of the franchises is terminated for reasons attributable to a Distribution Company, the effective amount of compensation (if any) from the Government could be materially reduced through the imposition of fines or other penalties. Finally, although the Company intends to apply for the extension or renewal of each franchise upon its expiration, there can be no assurance that the Philippine Congress will act favorably to the Company's requests to extend or renew any or all of these franchises. In addition, the Company may also face competition from third parties in connection with the renewal of these franchises.

The foregoing risks notwithstanding, it must be noted that the Distribution Companies are managed using or applying world-class standards. Each of the Distribution Companies is focused on providing the best possible service at the lowest possible cost. With this service level promise constantly delivered, the Government cannot revoke or refuse to renew, as it is not likely to revoke and refuse to renew, a franchise without justifiable cause. Due to its track record of satisfying the requirements and conditions imposed by regulations and the terms of its franchises, the Company has maintained very good working relationship with regulatory and government agencies tasked with the renewal and maintenance of franchises. To date, all of the franchises of the Distributions Companies, which were due for renewal, had been effectively renewed and no franchise held by the Distribution Companies has ever been revoked.

In recent years amendments to the EPIRA have been proposed that, if enacted, could have a material adverse effect on the Company's business, financial condition and results of operations

Since the enactment of the EPIRA in 2001, members of the Philippine Senate and House of Representatives have proposed amendments to the EPIRA. These proposed amendments have included the following:

(a) cross-ownership among distribution utilities and generation companies will no longer be allowed. If this proposal becomes law, the Company may be required to divest its interests in either the Distribution Companies or the Generation Companies;

(b) restrictions on the amount of electric power that a distribution utility can source from a single generation company or from generation companies wholly-owned or controlled by the same interests. If this restriction is enacted into law, generation facilities acquired or developed by the Company in the Visayas or Mindanao Grids may be unable to enter into offtake agreements with VECO and DLP, two of the largest distribution utilities operating in the Visayas region and Mindanao island, respectively;

(c) stranded Costs charged by distribution utilities, which are contracted costs for electricity in excess of the actual market selling price to customers, will be recoverable only if such costs are deemed "fair and reasonable." To the extent that the Distribution Companies' Stranded Costs are not deemed fair and reasonable by the ERC, their financial condition and results of operations could be materially and adversely affected.

The Company cannot provide any assurance whether the proposed amendments to the EPIRA described above will continue to be pursued. Proposed amendments to the EPIRA, including those discussed above, as well as other legislation or regulation could have a material adverse impact on the Company's business, financial condition and results of operations.

The enactment of the proposed amendments is not within the Company's control. However, it is the policy of the Company to participate, as much as practicable, in the formulation of the policies relating to the energy sector. As in the past, the Company will continue to participate in consultation exercises and join other players in the energy sector, whenever appropriate, in lobbying for fair and favorable terms for the Company and other similarly situated entities.

Enactment of proposed amendments notwithstanding, it must be noted that the Company is still far from reaching the proposed restrictions, with allowable room to grow the generation business and still sell to the Distribution Companies. Currently the total electricity purchased by the Distribution Companies from the Generation Companies does not exceed 10% of its total purchased power, significantly lower than the EPIRA mandated cap of 50%.

The Company is exposed to foreign exchange risk. Fluctuations in the exchange rate between the peso and foreign currencies, such as the U.S. dollar, could have a material adverse effect on the Company's business,

financial condition and results of operations

The Company currently maintains its accounting records and prepares its financial statements in Pesos. The revenues of TLI, SNAP-Magat and SNAP-Benguet are denominated in Pesos, however, a significant portion of their operating expenses and significant portions of their debt are denominated in US dollars. Any appreciation or depreciation of the Philippine Peso particularly with respect to the U.S. dollar could result in foreign exchange translation gains or losses on these companies' expenses currently recorded as part of the Company's income statement. A depreciation of the Philippine Peso particularly with respect to the U.S. dollar could adversely affect the ability of TLI, SNAP-Magat and SNAP-Benguet to service its foreign currency-denominated debt.

In addition, AP Parent keeps a portion of its debt in US dollars. As AP's consolidated revenues are mostly in Philippine peso, the Company's consolidated income is further subjected to foreign exchange movement.

The Company also purchases parts and equipment for its generation facilities and for its distribution facilities using U.S. dollars and other foreign currencies. A depreciation of the Philippine Peso particularly with respect to the U.S. dollar increases the Peso equivalent value of these foreign currency-denominated costs and may adversely affect the Company's results of operations.

Generally, however, operating subsidiaries match currency of revenues with currency of liabilities. An exception was made with SNAP-Magat and SNAP-Benguet in which revenues although in Pesos are partially affected by the U.S. dollar (spot prices are affected by coal and oil costs, which are directly correlated to the U.S. dollar–Philippine Peso movements). Thus both companies keep [•]% of debt in U.S. dollar to hedge against the effects of movements in the U.S. dollar on revenues.

It is likewise with the foreign exchange risks in mind, relating to the cost of parts and equipment that certain Generation Companies negotiated for a portion of their capacity fees to be in U.S. Dollars or sensitized to the movements of the U.S. dollar and inflation. This set up means that an increase or decrease in revenues resulting from the contract formulas based on the movements of the U.S. Dollar is correspondingly offset by a corresponding increase/decrease in the cost of materials.

Under PBR, annual inflation and currency adjustments are allowed to compensate for detrimental movements. Thus, distribution utilities can recover adverse currency and inflationary movements on an annual basis.

Item 2. Properties

The Company does not hold any real property of material value except for three parcels of land situated in Tagum, Davao del Norte in Mindanao with a total land area of 10,000 square meters. Other than these parcels of land and its shares in its subsidiaries and affiliates and certain properties held through its subsidiaries and affiliates, the Company does not hold significant properties.

The Company's head office is located at the Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Cebu City, Philippines. The premises are leased from an affiliate, Cebu Praedia Development Corporation.

The following table sets out the status of land that is material for purposes of the Company's power generation and distribution facilities:

Status of Owned/Leased Land as of December 31, 2009

Location	Area (hectares)	Owned / Leased	Parcels of Land	Title Status as of December 31, 2008
Tagum, Davao del Norte	1	Owned by AP	3	Clean
Cotabato City	1.8504	Owned by CLP	3	Clean
Davao City	9.7365	Owned by DLP	45	Clean
Davao City	3.0335	Owned by Hedcor	9	Clean

Location	Area (hectares)	Owned / Leased	Parcels of Land	Title Status as of December 31, 2008
La Trinidad, Benguet	1.2028	Owned by Jon. R. Aboitiz	2	Clean
Benguet and Ilocos Sur	1.265	Owned by Jovy Batiquin and Rene B. Ronquillo (for weir and access roads of Bakun plant)	6	Mortgaged to lenders under an Omnibus Agreement dated June 5, 1997
Cebu City, Mandaue City and Talisay City	7.1855	Owned by VECO	24	Mortgaged to DBP as Trustee under a Relending Agreement dated February 17, 1992
Sta. Cruz, Davao del Sur	209,920 (for permanent facilities) 227,594.75 (for temporary facilities)	Leased by Hedcor Sibulan from various individuals for use in its Sibulan hydropower project. Lots used for temporary facilities are leased for a period of two years, while those used for permanent facilties are leased for 25 years.	148 (permanent facilities) 143 (temporary facilities)	The rights of Hedcor Sibulan under the Special Use Agreement in Protected Areas with the Mt. Apo Natural Park Protected Area Management Board dated March 27, 2007 and the leasehold rights of Hedcor Sibulan under the contracts of lease covering the leased properties are mortgaged to a syndicate of lenders under the Omnibus Loan and Security Agreement dated May 21, 2008.
Tiwi, Albay	368.39	Leased	557	---------------
Sto. Tomas, Batangas	33.94		152	---------------
Laguna Bay	73.51		208	---------------
Calauan, Laguna	68.65		94	---------------

The Company has no plans to acquire any property in the next 12 months that will have a significant material prejudicial effect on the Company's prospects or operations.

GENERATION COMPANIES

Hedcor, Inc.

Hedcor's mini-hydroelectric plants are located on parcels of land with a total land area of 3.0 hectares. Structures, machinery and improvements in these plants consist of turbines, generators, weirs, forebays, penstocks and other support structures. Hedcor's property, plant and equipment have a net book value of ₱723.62 million as of December 31, 2008.

Liens and encumbrances

As security for a loan agreement dated October 10, 2005 with Banco de Oro-EPCI, Inc. for ₱200 million, Hedcor executed a chattel mortgage dated October 10, 2005 over machinery and equipment owned by it. The lien established by the chattel mortgage extends to all property of every nature and description taken in exchange or replacement therefore, all assets acquired with the proceeds of the credit secured, and all machineries, fixtures, tools, equipment, and other property that Hedcor may acquire, construct, install, attach or use in, upon or in connection thereof. The instrument was registered on October 13, 2005 with the Register of Deeds of Benguet province.

On January 26, 2000, HEDC executed a chattel mortgage in favor of Banco de Oro-EPCI, Inc. as security for a loan in the amount of ₱447.0 million. The chattel mortgage covers machineries and equipment of HEDC located in Davao City and Benguet Province. The chattel mortgage was registered on March 23, 2000 with the Register of Deeds of the City of Davao and on January 27, 2000 with the Register of Deeds of Benguet province.

HEDC assigned all its assets and liabilities to Hedcor in a de facto merger undertaken in 2005.

Cebu Private Power Corporation

AP owns a 60% interest in the equity of CPPC. The company is situated on a 1.8 hectare lot in the old VECO compound in Bgy. Ermita, Cebu City. The plant began full commercial operations in November 1998 and is powered by 10 Caterpillar-Mak diesel engines. It is one of the biggest power plants in Cebu that supplies 62 MW of power to VECO, augmenting VECO's capacity to meet the increasing demand of Cebu's residential and business population.

CPPC had a total fixed assets of ₱726.3 million as of December 31, 2008.

AP Renewables, Inc.

APRI's Makban complex is located in the Laguna and Batangas area. The complex consists of Plants A and B with two 63-MW units each, Plant C with two 55-MW units of which one will be refurbished during the four-year transition period, Plants D and E with two 20-MW units each, and two binary plants with 6-MW units and one binary plant with a 3-MW unit.The units were commissioned between 1979 and 1996.

The Makban Complex lies 74 kms southeast of Metro Manila between two dormant volcanoes, Mt. Makiling to the west and Mt. Banahaw to the east. The Makban plants and steam fields cover an area of approximately 162,000 hectares. Within this area, the existing productive zone covers 700 hectares or 0.43% of the total production zone. This development area is situated along the southeast of Mt. Makiling and straddles the three municipalities of Bay and Calauan in Laguna Province and Santo Tomas in Batangas Province.

The Tiwi complex consists of three plants: Plant A with a 54 and 60-MW unit, Plant B with two 55-MW units that have been decommissioned, and Plant C with two 57-MW units. There are six turbines with two identical turbines installed in each of the Tiwi plants. The turbines are single-cylinder, double-flow condensing units manufactured by Toshiba. The three-phase / 60 Hz / 13.8 kV generators, which are directly coupled to the turbines, are also from Toshiba. The units were commissioned between 1979 and 1982.

The Tiwi Complex lies approximately 569 km south of Metro Manila and approximately 40 km north of the provincial capital, Legazpi City. Plant A (Units 1 and 2) is located in Barangay Naga while Plants B (Units 3 and 4) and C (Units 5 and 6) are located in Barangay Cale in the Municipality of Tiwi in Albay Province.

Therma Marine, Inc.

Therma Marine is the owner of two barge mounted diesel power plants, each with an installed capacity of 100 MW. PB 117 is moored at Nasipit, Agusan del Norte, Mindanao while PB 118 is moored at Bgy. San Roque, Maco, in Compostella Valley.

Hedcor Sibulan, Inc.

The Sibulan Project is a cascade development of two power plants: namely, an upstream Sibulan Plant A with an installed capacity of 16.5 MW and a downstream Sibulan Plant B with an installed capacity of 26 MW . The combined average annual energy is estimated to be 212,000,000 KWH. The Plants are essentially of the run-of-river type that include an intake weir, short tunnel, surface pipeline, desander, headpond, high pressure surface penstock, surface power plant, substation, switchyard, and transmission line. The Plants each house two Pelton turbines and generating units suitable for local and remote control.

The Sibulan Project, consisting of the upper and lower project areas, is located approximately 19 kilometers from the southeast boundary of Davao City.

DISTRIBUTION COMPANIES

Visayan Electric Company, Inc.

As of August 9, 2001, VECO's electrical power distribution equipment, machinery, communication equipment, transportation equipment, and furniture and office equipment were appraised to have a sound value of ₱2.12 billion. VECO's land, buildings and other land improvements were appraised to have a fair market value of ₱530.8 million.

VECO's land and buildings are located in Cebu City, Mandaue City, Talisay City, and the municipalities of Consolacion, Naga and Liloan in the province of Cebu, while its substations, poles and fixtures, overhead transmission and distribution lines, and distribution transformers are found in various locations within its franchise area.

Liens and encumbrances

On February 17, 1992, VECO executed a MTI over the bulk of its properties in its franchise area to secure its obligations under the Relending Agreement with the NEA dated January 26, 1995 for a ¥1.4 billion loan.

Davao Light and Power Co., Inc.

AP has a 99.9% equity interest in DLP. DLP's franchise area includes Davao City, Panabo City and the municipalities of Carmen, Dujali and Santo Tomas in the province of Davao del Norte. This franchise area covers 3,561 square kilometers with a population of approximately 1,200,000. DLP has a 150 MVA substation drawing power at 138 KV. It also maintains a stand-by 53 MW diesel plant capable of supplying 24% of its requirements.

As of September 17, 2004, DLP's land, buildings, other land improvements, machinery, electrical equipment, transportation equipment and computer equipment were appraised to have a sound value of ₱746.2 million.

DLP's land and buildings are located in Davao City and Panabo City while its substations, poles and fixtures, overhead transmission and distribution lines, and distribution transformers are found in various locations within its franchise area.

Cotabato Light and Power Company

AP has a 99.9% equity interest in CLP. CLP supplies electricity to Cotabato City and to portions of the municipalities of Datu Odin Sinsuat and Sultan Kudarat, both in Maguindanao province in Mindanao. Its franchise area covers 176 square kilometers and has a population of approximately 176,450.

CLP has three power substations of 10 MVA, 12 MVA and 15 MVA and is served by two 138 kV transmission lines which provide redundancy in case one transmission line fails. It also maintains a stand-by 7 MW diesel plant.

As of January 11, 2002, CLP's land, buildings, other land improvements, machinery and equipment, electrical equipment, transportation equipment, gym equipment, computer equipment, and furniture and office equipment were appraised to have a sound value of ₱427.8 million. CLP's land and buildings are located in Cotabato City while its substations, poles and fixtures, overhead transmission and distribution lines, and distribution transformers are found in various locations within its franchise area.

Subic Enerzone Corporation

AP has a 100% equity interest in SEZ. SEZ won a competitive bid in May 2003 to provide power distribution services to the SBFZ for a period of 25 years and now manages the power distribution system within SBFZ.

On June 29, 2005, SBMA leased to SEZ a property identified as Block B located at the central business district of the SBFZ with an area of 17,331 square meters. As consideration, SEZ paid SBMA the amount of ₱14.6 million. SEZ also committed to infuse at least ₱21.4 million on the leased property. The term of the lease is for 50 years. The lease may be renewed upon mutual consent by the parties. SEZ shall use the leased property to develop and manage thereon an industrial park and market the same for commercial and light industrial facilities.

On March 20, 2006, SEZ assigned its leasehold rights to portions of Block B to two separate entities. SEZ assigned its leasehold rights over an aggregate area of 7,000 square meters and received a total of U.S.$304,000 as consideration for such assignment. The term of the assignment coincides with the term of SEZ's lease of Block B from SBMA.

Liens and encumbrances

On September 26, 2005, SEZ executed a deed of assignment of rights and receivables in favor of the DBP as security for loan in the amount of ₱185.0 million. The assignment covered rights and benefits of SEZ related to (a) revenue receivables, and (b) new equipment and assets to be purchased and used in the SBMA power distribution system, duly acknowledged by SBMA. On June 24, 2008, the amount of loan was increased to ₱210 million; and on September 22, 2008, an additional loan of ₱131 million was availed. The total loan as of December 31, 2008 was ₱341 million.

Mactan Enerzone Corporation

AP owns a 100% equity interest in MEZ. MEZ distributes power at the Mactan Export Processing Zone II (MEPZ II) in Mactan Island, Cebu. MEPZ II has 75 locators, many of which are semiconductor firms and electronic manufacturers. MEZ began its operation on February 19, 2007.

MEZ had total fixed assets of ₱ 3.40 million as of December 31, 2008.

Balamban Enerzone Corporation

AP owns a 100% equity interest in BEZ. BEZ is the electricity provider in the Western Cebu Industrial Park (WCIP) in Balamban, Cebu. WCIP is the home to the shipbuilding facilities of Tsuneishi Heavy Industries (Cebu) Inc. and FBMA Marine, Inc. as well as the modular fabrication facility of Metaphil International. Demand for power in the WCIP, which currently has 10 locators, is expected to grow substantially due to the expansion of Tsuneishi's shipbuilding facilities and the completion of the new plants of Air Liquide and Southern Industrial Gases, Inc. ("SIG").

BEZ had total fixed assets of ₱55.02 million as of December 31, 2008.

Item 3. Legal Proceedings

Material Pending Legal Proceedings

PEMC Investigation of Bakun plant dispatch

As a run-of-river facility, the Bakun plant is not considered either a peaking plant or a base load plant. It is considered an intermittent generator of electricity because it can only generate electricity from water flowing through the Bakun river at any given time, but without a guarantee of when and for how long a given load will occur. Under the Bakun PPA with NPC, for as long as water flow does not go below 0.3 cubic meters per second, the Bakun plant is required to generate electricity for delivery to NPC. If the water flow goes below 0.3 cubic meters per second, it becomes technically inadvisable to allow the Bakun plant to operate because this could result in irreparable damage to its turbines.

Electricity generated by the Bakun plant is traded in the WESM by traders for the PSALM for and on behalf of NPC, the contractual offtaker of the Bakun plant. Sometime during trading intervals on July 27 and 28, 2006, August 2, 20, 27, 28, 29, 30, and 31, 2006 and September 1, 4, and 6, 2006, the WESM determined there was overcapacity in the Luzon Grid at off-peak times. In order to avoid excessive frequency on the Luzon Grid, the

Bakun plant was instructed by the Philippine Electric Market Corporation (PEMC), the market operator of the WESM, to reduce its load from approximately 40 MW to 3 MW. LHC did not follow these dispatch instructions and did not reduce the load of the Bakun plant since there was sufficient water flow to run the plant at a load of more than 3 MW.

As a result of LHC's failure to comply with PEMC's dispatch instructions, PEMC sent PSALM, the trader of the Bakun plant's electricity, a notice of violation of the WESM rules. Although LHC is not a party to the investigations conducted by PEMC, LHC presented to the PEMC board the following reasons why it could not follow the PEMC dispatch instructions:

(a) LHC is required under the Bakun PPA to let the Bakun plant generate its nominated capacity and to deliver to NPC all electricity from available water supplies in accordance with the agreed technical operating parameters under the Bakun PPA;

(b) being a run-of-river facility, the Bakun plant has no storage or impoundment capacity and a curtailment of the Bakun plant's load would result in huge losses to NPC from the non-generation of electricity from available water, as well as result in the waste of a renewable energy resource; and

(c) curtailment of the Bakun plant to a load as low as 3 MW would have forced LHC to operate the Bakun plant manually, which is not technically prudent. This would have required LHC to de-water the Bakun plant abruptly, which the Bakun plant is not designed for and which could result in the collapse of the tunnel to the Bakun plant, leading to serious damage to property and risk to life.

The Technical Committee of the PEMC recommended the denial of LHC's request for a reclassification from its current WESM participant status as scheduled generator to a renewable energy with intermittent power resource. The recommendation has been submitted to the PEMC Board. However, the PEMC Board has yet to act on the aforesaid recommendation.

With the passage of the RE Law, LHC will have a legal basis to classify the Bakun plant as an intermittent generation since the RE Law provides for specific provisions on intermittent generation.

VECO Redundancy Program

1. **Jeanu A. Du, et. al vs. VECO**
   (Aguinaldo Agramon et.al.)
   NLRC RAB VII Case No. 04-0956-06
   NLRC RAB VII Case No. 05-1014-06
   NLRC RAB VII Case No. 05-1070-06
   NLRC RAB VII Case No. 05-1099-06
   NLRC RAB VII Case No. 05-1146-06
   NLRC RAB VII Case No. 05-1193-06
   NLRC RAB VII Case No. 06-1253-06
   NLRC RAB VII Case No. 06-1300-06
   NLRC RAB VII Case No. 06-1404-06
   NLRC RAB VII Case No. 08-1708-06
   CA GR SP No. 03379
   Court of Appeals, 19th Division
   June 15, 2006

2. **Alejo C. Pol, et.al vs. VECO**
   NLRC RAB VII Case No. 08-1782-06
   NLRC RAB VII Case No. 08-1878-06
   NLRC RAB VII Case No. 08-1832-06
   NLRC RAB VII Case No. 09-1953-06
   NLRC RAB VII Case No. 08-1981-06
   Cebu City
   September 11, 2006

3. Melchor E. Custodio, Frederick Rivera & Henry Bacaltos vs. VECO
   NLRC RAB VII CASE No. 11-2542-2006
   NLRC RAB VII CASE No. 12-2714-2006
   Cebu City
   November 23, 2006

4. Bernard Acebedo & Alexander E. Alo vs. VECO
   NLRC RAB-VII Case No. 06-1218-2007
   Cebu City
   June 12, 2007

VECO is involved in cases for illegal dismissal and/or non¬payment of retirement benefits filed by approximately one hundred and twenty (120) former employees claiming back wages, damages, and reinstatement. These employees previously accepted VECO's redundancy program, a program initiated in 2004 and which was explained and discussed at length with VECO's labor union and entire work force at that time. The employees, whose positions were made redundant, including complainants, received their individual notices of redundancy between May and November 2004. They were formally separated from VECO between the periods June to December 2005. At the time of their termination from employment, each of the complainants read through, and was made to understand the contents of, and did sign their individual release, waiver, and quitclaim in the presence of a representative from the Department of Labor and Employment. These employees received separation benefits which were clearly above the minimum requirements provided under the Labor Code.

All the complaints have been dismissed for lack of merit at the labor arbiter level and VECO's redundancy program has been upheld as a management prerogative. The majority of the dismissed complaints are now pending on appeal either before the 4th Division of the National Labor Relations Commission or the Court of Appeals. The potential claim against VECO is ₱309.80 million. It is VECO's position that it has paid these former employees separation pay and retirement benefits in amounts in excess of those required by Philippine law and that it has valid defenses against the complaints brought against it by these former employees. VECO intends to defend itself against all these claims.

The majority of the dismissed complaints are now pending on appeal either on the 4th Division of the National Labor Relations Commission or the Court of Appeals, except for the case of Acebedo vs. VECO where the complainants failed to file an appeal and could now be considered terminated, VECO is awaiting the Entry of Judgment to be issued by the NLRC-RAB as the basis for the finality of the dismissal of the case.

In The Matter Of The Assessed Real Property Tax On Electric Posts And Transformers
Located Within Talisay City
Local Board of Assessment Appeals- Talisay City
December 30, 2003

On October 29, 2003, the Local Board of Assessment Appeals (LBAA) of Talisay City, Cebu issued a Notice of Assessment and Tax Bill (for Tax Declaration Nos. 68006 to 68065) against VECO for ₱10.50 million, real property tax on VECO's electrical posts and transformers. The assessment was increased to ₱16.90 million in 2004. On November 17, 2005, the assessment was further increased to ₱17.50 million. In 2003, VECO paid under protest the amount of ₱2 million. This matter is currently pending before the LBAA of Talisay City. Despite the pendency of this case before the LBAA, VECO also filed last May 10, 2007 a letter-request for legal opinion/confirmation before the Bureau of Local Government Finance, Department of Finance (BLGF-DOF) on the exemption from real property tax of VECO's electrical poles pursuant to VECO's legislative franchise. This request is also pending for resolution.

In The Matter Of The Assessed Real Property Tax On Electric Posts And Transformers
Located Within The Municipalities Of Minglanilla, Consolacion and Lilo-an, Province of Cebu
Local Board of Assessment Appeals- Province of Cebu
September 23, 2008

On July 25, 2008, the Provincial Assessor of Cebu issued a Notice of Assessment for the electric poles and transformers owned by VECO located in the Municipalities of Minglanilla, Consolacion and Lilo-an. The Provincial Assessor, motu proprio, declared for tax purposes for the first time the said properties under Tax Declaration Nos. 39178 to 39193 (for Minglanilla), 39135 to 39166 (for Consolacion) and 54445 to 54458 (for Liloan). On August 27, 2008, VECO received a letter from the Provincial Treasurer demanding payment of approximately ₱32 million as real property tax due on the supposed real properties computed from year 1992 up to 2008, including penalties, to the three municipalities.

On September 23, 2008 VECO filed a Notice of Appeal and Memorandum of Appeal before the LBAA of the Province of Cebu questioning the demand letter and refuting the assessment on the following grounds: (i) VECO is exempt from paying real property tax on poles, wires and transformers by virtue of its legislative franchise (R.A. 9339); (ii) poles and transformers are not real properties; (iii) the valuation is erroneous and excessive; (iii) it includes assessments which have already prescribed; (iv) the municipalities did not give VECO the opportunity to present controverting evidence; (v) it did not consider depreciation cost of the assets; (vi) the assessment violates due process for it did not comply Section 223 of the Local Government Code of 1991; (vii) the Provincial Assessor erred in giving retroactive effect to the assessment in violation of Section 221 of the Local Government Code of 1991; and (viii) the assessments are null and void for lack of ordinance on the schedule of market values and lack of publication of the same.

To date, the said appeal is still pending resolution.

Luzon Hydro Corporation vs. The Province Of Benguet, The Provincial Treasurer Of Benguet And Hon. Imelda I. Macanes In Her Capacity As Provincial Treasurer Of La Trinidad, Province Of Benguet
Civil Case No. 08-CV-2414
RTC Branch 10, La Trinidad, Benguet
March 7, 2008

On October 11, 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax for the years 2002 to 2007 in the approximate amount of ₱40.40 million, inclusive of surcharges and penalties. LHC filed a protest letter with the Provincial Treasurer in December 2007 based on the legal position that LHC is not a grantee of any legislative franchise on which basis franchise taxes may be imposed. On February 8, 2008, the Provincial Treasurer, through the Provincial Legal Officer, denied LHC's protest letter. On March 7, 2008, LHC filed before the RTC of Benguet a petition against the Provincial Treasurer of Benguet for the annulment of the franchise tax assessment.

The trial of the case is ongoing.

HEDCOR Inc. vs. The Province of Benguet, The Provincial Treasurer of Benguet and Hon. Imelda I. Macanes in her Capacity as Provincial Treasurer
Civil Case No. 08- CV-2414
RTC Br. 63, La Trinidad, Benguet
Jan. 18, 2008

On October 22, 2007, Hedcor received a franchise tax assessment from the Provincial Treasurer of the Province of Benguet requiring Hedcor to pay the unpaid franchise taxes of Hydro Electric Development Corporation (HEDC) and Northern Mini Hydro Corporation (NMHC) in the approximate amount of P30.9 million, inclusive of surcharges and penalties, for the fourth quarter of 1995 up to 2007. Hedcor filed a protest letter on the basis that HEDC and NMHC are not required to pay franchise taxes. Hedcor's protest letter was denied by the Provincial Treasurer in a letter dated November 27, 2007.

Pursuant to Section 195 of the Local Government Code, Hedcor filed a petition last January 4, 2008 against the Provincial Treasurer before the RTC to annul the assessment of the franchise tax. On February 18, 2008, the Province of Benguet filed its answer to the petition, insisting on the liability of Hedcor, and relying on the Articles of Incorporation of Hedcor to substantiate its allegation that Hedcor possesses both a primary and secondary franchises. Hedcor is of the opinion that it is not liable for franchise tax since it does not need a national franchise to operate its business, pursuant to Section 6 of R.A. 9136 or the Electric Power Industry Reform Act of 2001 (EPIRA). Moreover, Hedcor argues that it is a separate and distinct legal entity from HEDC and NMHC, and as such, it cannot be made liable for whatever obligation, if any, as may pertain to HEDC and/or NMHC.

This case is now tried jointly with the Hedcor National Wealth Tax Assessment case described below. Please refer to the summary of the Hedcor National Wealth Tax Assessment case found below for additional information/update.

HEDCOR Inc. vs. The Province of Benquet, The Provincial Treasurer of Benquet and Hon. Imelda I. Macanes in her Capacity as Provincial Treasurer
Civil Case No. 08-CV-2416
RTC Br. 63. La Trinidad, Benquet
December 21, 2007

On October 25, 2007, Hedcor received from the Provincial Treasurer of Benguet an assessment in the amount of ₱30.5 million representing the share of the Province and host municipalities and barangays in the national wealth tax due from HEDC and NMHC for the years 1997 to 2007. On December 21, 2007, Hedcor filed its protest letter with the Provincial Treasurer of Benguet stating that it is a separate and distinct legal entity from HEDC and NMHC. Hedcor only acquired the hydroelectric power plants, which are the subject of the assessed national wealth tax, from HEDC and NMHC on June 25, 2005. Prior to June 25, 2005, Hedcor did not own any operating hydroelectric power plants. Thus, if Hedcor is indeed liable for any national wealth tax with respect to the operation of the hydroelectric power plants, it is liable only for taxes after June 25, 2005.

In addition, Hedcor is of the opinion that the Province of Benguet does not have legal basis to collect national wealth tax from private generation companies prior to the effectivity of EPIRA in June 2001. Since June 2005, Hedcor has been contributing the amount equivalent to 3.0% of its gross revenues to its host municipalities and barangays in compliance with the national wealth tax provision contained in Section 291 of the Local Government Code. Hedcor has been generously paying amounts higher than the amount required by the Local Government Code.

The pre-trial conferences of both the national wealth and franchise tax cases pending before the RTC of Benguet were held last December 3, 2008.

The Province of Benguet, through the Office of the Governor, and Hedcor, have been engaged in negotiations to arrive at a possible settlement for the national wealth tax case.

On the other hand, the prospect of settlement is not likely in the franchise tax case. The next hearing of the case is scheduled on April 6, 2010.

Mactan Electric Co. vs. Acoland, Inc.
Civil Case No. MDI-56
RTC Branch 56, Mandaue City
June 16,1996

On July 16, 1996, MECO filed a quo warranto case against Aboitiz Land, Inc. (AboitizLand) attacking the latter's legal basis to distribute power within the Mactan Export Processing Zone II (MEPZ II) as well as the Philippine Economic Zone Authority's (PEZA) authority to grant Aboitizland the operation or distribution of power in the area in question. MECO argues that AboitizLand does not possess the legal requirements to distribute power within MEPZ II, and that the amendment of AboitizLand's Articles of Incorporation to include the right to engage in the operation, installation, construction and/or maintenance of electric and other public utilities only six days after the filing of this case was an afterthought, and as a consequence, it is liable to pay damages to MECO. MECO further alleges that PEZA has no right to grant franchise to distribute electricity within the MEPZ II.

AboitizLand's argument that the Special Economic Zone Act of 1995 (R.A. 7916) which created PEZA grants the latter broad powers and functions to manage and operate special economic zones, that these include the power to grant enfranchising powers under Section 12(c) and 13(d) thereof, and that the SEC approval of its amended Articles of Incorporation is valid. Regarding damages, Aboitizland argues this was not prayed for in MECO's petition for quo warranto and the courts have no basis to grant any damages.

The PEZA intervened and argued that, it is authorized by its charter to undertake and regulate the establishment and maintenance of utilities including light and power within economic zones under its jurisdiction. In doing so, it can directly construct, acquire, own, lease, operate, and maintain on its own or through contract, franchise, license, bulk purchase from the private sector, and build-operate-transfer scheme or joint venture, adequate facilities such as light and power.

The parties are currently undergoing court-mandated mediation proceedings.

In 2007, with the approval of PEZA, Aboitizland transferred all of its power assets and business to a new corporation, MEZ, which is now the real party in interest in the case.

LHC Real Property Tax Assessment

In The Matter Of The Assessed Real Property Tax On Machineries Located Within The Municipality of Bakun, Province of Benguet
Central Board of Assessment Appeals
CBAA Case No. L-57/5

The Municipality of Bakun, Province of Benguet issued an assessment against LHC for deficiency real property tax on its machineries in the amount of approximately ₱11.0 million, inclusive of interests and penalties, for the period 2002. The assessment was appealed by LHC to the LBAA. NPC intervened in the proceedings before the LBAA arguing that (i) the liability for the payment of real property tax over the machineries is assumed by NPC under Section 8.6(b) under the Bakun PPA dated as of November 24, 1996; and (ii) NPC is exempted from the payment of real property tax under Section 234 of the Local Government Code, which provides that machineries that are actually, directly and exclusively used by government-owned and controlled corporations engaged in the generation and transmission of electric power are not subject to the real property tax. The LBAA ruled in favor of the Municipality of Bakun on the ground that NPC couldn't invoke the exception under Section 234 of the Local Government Code because the machineries covered by the assessment are not yet owned by NPC.

NPC further appealed the ruling of the LBAA to the Central Board of Assessment Appeals (CBAA) docketed as CBAA Case No. L-57/59. According to the CBAA, NPC sent a compromise proposal in 2006 to the CBAA. Currently, the Province of Benguet, through the Office of the Governor, and LHC, have been engaged in negotiations to arrive at a possible settlement.

PHILIPPINE HYDROPOWER CORPORATION vs. PACIFIC HYDRO BAKUN INC. & PACIFIC HYDRO PTY LIMITED,
Complaint for Tortious Interference in Contractual Relations and Exercise of Property Rights
RTC-Branch 17, Cebu City
Filed: 10-2-2009

This is a Complaint for Tortious Interference in Contractual Relations and Exercise of Property Rights filed by PHC with the Regional Trial Court in Cebu City against Pacific Hydro Bakun, Inc. (PHBI), its joint venture partner in Luzon Hydro Corporation (LHC). LHC is the special purpose vehicle formed to develop, construct and operate the 70-megawatt (MW) Bakun hydropower plant in Ilocos Sur (the "Bakun Plant") under a build-operate-transfer (BOT) scheme with the National Power Corporation (NPC).

The complaint by PHC against PHBI and its parent company, Pacific Hydro Limited (PHL), arose from PHBI's and PHL's tortious conduct including: (a) threatening and intimidating PHC and its nominee directors in LHC to vote in favor of allowing LHC to participate in the bidding for the Independent Power Producer Administration (IPPA) for the combined contracted capacities of the Bakun Plant, the 345 MW San Roque hydropower plant and the 30 MW Benguet mini-hydro plants (the "Bidding") and, (b) spreading malicious allegations of wrongful conduct on the part of the nominee directors of PHC to third persons.

PHC maintains that LHC is a special purpose vehicle formed specifically and solely to undertake the construction of the Bakun Plant under a BOT agreement with NPC. PHBI's proposal for LHC to engage in the business of an IPPA for the power plants included in the Bidding is outside the primary or secondary purposes of LHC and is beyond the original intent of the shareholders of LHC. For these reasons, PHC believes that PHBI and PHL cannot rightfully compel it to enter into the IPPA business with PHBI and PHL through LHC.

Moreover, notwithstanding PHC's refusal to enter into the IPPA business with PHBI and PHL, such refusal did not deprive the latter of participating in the Bidding if they really wanted to do so.

The case is now under court-mandated mediation proceedings at the Philippine Mediation Center. The parties have agreed to include in the mediation proceedings the intra-corporate suit by PHBI against PHC (see below).

PACIFIC HYDRO BAKUN, INC. for itself and/or behalf of LUZON HYDRO CORPORATION vs. PHILIPPINE HYDROPOWER CORPORATION its parent company, subisidiaries and/or affiliates participating in the bidding (for appointment as IPP Administrator for contracted capacities of the Bakun, San Roque and Benguet HydroElectric Plants) Jose Venancio Batiquin, Antonio Moraza, Rene B Ronquillo
Civil Case No. 01332-T
Filed: 10-7-2009

Intra- Corporate Suit

This is a derivative stockholders' suit filed by Pacific Hydro Bakun, Inc., (PHBI) against PHC, et. al. for violation of their fiduciary duties to LHC and PHBI by refusing to allow Luzon Hydro Corporation (LHC) to participate in the bidding for the Independent Power Producer Administration (IPPA) for the combined contracted capacities of the Bakun Plant, the 345 MW San Roque hydropower plant and the 30 MW Benguet mini-hydro plants (the "Bidding") resulting in the following:

1. Being barred from participating in the Bidding;
2. Loss of any business and commercial advantages it would have over the other bidders in the bidding, considering that LHC is the builder and operator of the Bakun Hydroelectric Power Plant;
3. Loss of profits that would have been earned from its acting as IPP Administrator, particularly for the Bakun Hydroelectric Power Plant; and
4. Diminution, if not elimination of LHC's prospect of permanently acquiring the Bakun Hydroelectric Power Plant after the expiration of its PPA/BOT in 2026.

Among others, PHBI prays for the immediate assignment/transfer of the defendants' equity/participation in the joint venture between PHC and the SN power-related company ("the Other Bidder") which defendants hold in constructive trust for plaintiffs and also to cause the Other Bidder to consult with plaintiffs on all matters in the Bidding.

Currently, the summons with regard to the complaint filed by PHBI against Philippine Hydropower Corporation on October 7, 2009 has not been properly served on the defendants.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) AP's common shares are traded on the Philippine Stock Exchange.

The high and low stock prices of AP's common shares for each quarter of 2009 were as follows:

	2010		2009		2008		2007	
	High	Low	High	Low	High	Low	High	Low
First Quarter	-----	----	4.65	3.90	5.60	4.50	NA	NA
Second Quarter	NA	NA	6.00	4.65	5.60	4.80	NA	NA
Third Quarter	NA	NA	6.70	5.30	6.00	4.85	5.80	3.90
Fourth Quarter	NA	NA	8.90	6.40	5.00	3.25	5.80	4.70

Source: Technistock

As of February 28, 2010, AP has 499 stockholders of record, including PCD Nominee Corp. (Filipino) and PCD Nominee Corp. (Foreign). Common shares outstanding as of same date were 7,358,604,307 shares.

(2) The top twenty stockholders of AP as of February 28, 2010 are as follows:

Name	Number of Shares	Percentage
1. ABOITIZ EQUITY VENTURES, INC.	5,622,113,063	76.40%
2. PCD NOMINEE CORPORATION (Filipino)	917,426,546	12.47%
3. PCD NOMINEE CORPORATION (Foreign)	522,274,900	7.10%
4. ABOITIZ LAND, INC.	151,112,722	2.05%
5. DANIELE MANAGEMENT & DEVELOPMENT CORPORATION	18,855,392	0.26%
6. SAN FERNANDO ELECTRIC LIGHT AND POWER CO., INC.	7,931,034	0.11%
7. ARMOZA MANAGEMENT & DEVELOPMENT CORPORATION	7,589,745	0.10%
8. PARRAZ DEVELOPMENT CORPORATION	7,072,094	0.10%
9. UBP T/A 1J1-175-09	6,876,000	0.09%
10. LILOAN AGRO INDUSTRIAL DEVELOPMENT CORPORATION	6,051,405	0.08%
11. SABIN M. ABOITIZ	5,346,079	0.07%
12. SIERRAROSA, INC.	5,304,689	0.07%
13. KAYILKA HOLDINGS, INC.	5,196,143	0.07%
14. LMM HOMES MANAGEMENT & DEVELOPMENT CORP.	5,023,965	0.07%
15. JOEMOR MANAGEMENT AND DEVELOPMENT CORPORATION	4,455,501	0.06%
16. BANILAD ESTATE, INC.	4,000,000	0.05%
17. EMETASI HOLDINGS, INC.	4,000,000	0.05%
18. RAMON ABOITIZ FOUNDATION, INC.	3,900,000	0.05%
19. CAVESTANY, VALERIA	3,217,888	0.04%
20. TAN BEN KUAN	2,750,000	0.04%

(3) The cash dividends declared by AP to common stockholders from 2007 to 2010 are shown in the table below:

Year	Cash Dividend Per Share	Total Declared	Record Date
2010	P0.30	₱2.21B	3/24/2010
2009	P0.20	₱1.47B	2/26/2009
2008	P0.18	₱1.32B	2/21/2008
2007	-	-	-

AP intends to maintain an annual cash dividend payment ratio of approximately one-third of its consolidated net income from the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of cash dividends, such as the undertaking by AP of major projects and developments requiring substantial cash expenditures or restrictions on cash dividend payments under its loan covenants.

Item 6. Management's Discussion and Analysis or Plan of Action

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the Company's consolidated financial condition and results of operations and certain trends, risks and uncertainties that may affect its business. The critical accounting policies section discloses certain accounting policies and management judgments that are material to the Company's results of operations and financial condition for the periods presented in this report. The discussion and analysis of the Company's results of operations is presented in three comparative sections: the year ended December 31, 2008 compared with the year ended December 31, 2007, the year ended December 31, 2007 compared with the year ended December 31, 2006.

Prospective investors should read this discussion and analysis of the Company's consolidated financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto set forth elsewhere in this report.

KEY PERFORMANCE INDICATORS

Management uses the following indicators to evaluate the performance of the Company and its subsidiaries:

1. Equity in Net Earnings (Losses) of Investees. This represents the Group's share in the undistributed earnings or losses of its investees for each reporting period after the acquisition of said investments, 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 the profitability of the investments and the investees' contribution to the Group's net income.

   Manner of Computation: Investee's Net Income (Loss) x Investor's Percentage Ownership less Impairment Loss.

2. Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA). EBITDA is calculated as net income before minority interest, net interest expense, income tax expense, amortization and depreciation. 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 funds. This aids management in identifying the impact on cash flow when the Group's activities are either in a state of growth or decline, and in evaluating management's efforts to control the impact.

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

5. Debt–to–Equity Ratio. This 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 liabilities by total equity.

The table below shows the comparative figures of the top five key performance indicators for 2008 and 2007 (As Restated):

DISCUSSION ON KEY PERFORMANCE INDICATORS:

Key Performance Indicators	2008	2007 (As restated)
Amounts in thousands of ₱ s, except for financial ratios		
EQUITY IN NET EARNINGS OF ASSOCIATES	**2,784,512**	**2,803,833**
EBITDA	**5,406,974**	**5,584,406**
CASH FLOW GENERATED:		
Net cash flows from operating activities	1,892,386	3,998,435
Net cash flows (used in) investing activities	(5,952,784)	(8,694,912)
Net cash flows from financing activities	5,227,107	16,705,532
Net Increase in Cash & Cash Equivalents	**1,166,709**	**12,009,055**
Cash & Cash Equivalent, Beginning	13,287,811	1,494,272
Cash & Cash Equivalent, End	14,915,384	13,287,811
CURRENT RATIO	**2.19**	**2.52**
DEBT-TO-EQUITY RATIO	**0.54**	**0.32**

Above key performance indicators are within management expectations.

Earnings contributions of power assets acquired in 2007 remained significant contributors to the equity net earnings compared to amounts recorded in the same period last year. The year 2008 ended with incremental contributions from the full year contributions of these companies with the largest incremental contribution coming from STEAG Power, which contributed ₱1.09 billion. From the full year income of EAUC, also a recent acquisition, came an incremental contribution of ₱112 million. LHC, an existing investment also contributed ₱540.25 million in additional earnings, most of which came from the reversal of accrued costs and tax provision following the settlement of the dispute with Transfield, the turnkey contractor of LHC's Bakun Plant. The rest of the earning contributions came from the full year income of EAUC, also a recent acquisition. The incremental contributions mentioned above were offset by the effects of the weakening currency leading to non-recurring forex losses on some other investees. Both SNAP-Magat and SNAP-Benguet were impacted by the weaker Peso, which resulted to a huge swing from unrealized forex gains for the two companies in 2007 to unrealized forex losses in 2008. Notwithstanding the effects of the exchange rate fluctuations on its bottom line, SNAP-Benguet managed to contribute in operating terms following the turnover of the Ambuklao-Binga plants in July 2008.

The Company's EBITDA is lower by 3.10% year-on-year. The positive effects brought about by the income contribution of the Company's new acquisitions as well as its prudent spending failed to translate into a higher EBITDA due to non-recurring forex losses from the effects of a weakened Peso.

The decrease in the current and other financial ratios was a consequence of improved utilization of capital. This is apparent in the increase in the investments made by the Company during the year versus investments made as of yearend 2007. This is consistent with the Company's long-term plan of improving shareholder value by deploying capital into high yielding investments.

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

The financial figures presented are in compliance with the requirements/comments made by the SEC's Office of the General Accountant in its letter to AP dated February 3, 2009 and which letter AP replied to on February 18, 2009.

To address the SEC's comments on the completeness of the Segment Reporting Disclosure on the December 2007 financial statements, Note 25 in the accompanying audited financial statements as of December. 31, 2008 has endeavored to disclose the basis of inter-segment revenues. As disclosed in the notes to the financial statements, inter-segment revenues, are 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 arms length transaction basis. The Company has not allocated or transferred revenues or expenses among its segments.

On the disclosure relating to Business Combination, Note 7 on the accompanying audited financial statements as of December 31, 2008, the Company has disclosed the profit or loss on companies acquired in 2007 from date of acquisition that is included in the Company's profit or loss for the period. On the accompanying audited financial statements, the Company has disclosed that from the date of acquisition in April 2007 to December 31, 2007 CPPC contributed ₱162.6 million to the net income of the Group. Another acquisition in 2007, EAUC contributed ₱61.6 million STEAG Power, which was acquired in the last quarter of 2007 contributed ₱94.8 million.

In the December 31, 2007 financial statements of the Company, Note 29 referred to a DLP refund obligation as a result of an adverse decision rendered by the Supreme Court. The amounts were disclosed in DLP's financial statements as immaterial. The estimated amount due for refund to DLP's customers is ₱4.08 million, which is disclosed under Note 31 Other Matters on the accompanying audited financial statements for the year ending December 31, 2008.

Financial Results of Operations

The Company's net income for 2008 grew by 3.50% to ₱4.42 billion from ₱4.28 billion for the same period last year. This translates to an earnings per share of ₱0.59 for the year ending December 31, 2008 versus an earnings per share of ₱0.66 ending December 31, 2007. Earnings per share fell by 10.60% due to the higher number of outstanding shares as of ending 2008 compared to year ending 2007.

The Distribution Companies brought in an income contribution of ₱1.48 billion, which was lower by 2.80% from last year's ₱1.52 billion. The drop in income contribution is due to higher operating costs on the larger distribution utilities which outpaced any increases brought in by the slower growth. The Distribution Companies' kilowatt-hour electricity sales for the period grew by 12.60% year-on-year, from 2,789.7 GWh to 3,142 GWh. The growth mostly came from the contributions arising from the 2007 acquisitions and the expansion of SEZ's industrial segment, mainly due to the operation of the Hanjin shipyard in SBFZ.

The power generation business shored in a net income contribution of ₱2.78 billion, recording an 6.40% year-on-year growth from last year's ₱2.61 billion. The growth is attributed to the incremental earnings contributions from the 2007 acquisitions, with a major contribution coming from the 232 MW STEAG coal power plant.

Total power sold by the Generation Companies for the period recorded a 69.80% year-on-year expansion, from 1,018 GwH to 1,728 GwH. As of end-2008, AP's power generation group had an attributable capacity of 578 MW, an 18% YOY increase from 2007. The increase was due to the turnover of the 175 MW Ambuklao-Binga hydro power plants in July 2008. Moreover, improved capacity factors of the hydroelectric plants due to higher rate of rainfall also led to the improvement in the power generation for the period.

Material Changes in Line Items of Registrant's Income Statement

Consolidated net income attributable to equity holders grew by ₱172.97 million or 4.2%. Below is a reconciliation of growth in the consolidated net income:

Consolidated Net Income Attributable to Equity Holders of the Parent for 2007	₱4,160,645
Increase in Revenues	930,989
Increase in Cost and Expenses	(1,261,818)
Growth from Share in Equity Earnings	(19,321)
Increase in Interest Income	276,627
Increase in Interest Expense	(181,034)
Increase in Other Income	387,844
Lower Provision for Income Taxes	15,949
Decrease in Minority Interests	23,732

Total Growth	172,968
Consolidated Net Income Attributable to Equity Holders of the Parent for 2008	₱4,333,613

Total consolidated revenue grew by 8.20% versus the same period last year. The distribution subsidiaries' consolidated revenues increased by ₱430.19 million, a 4.90% increase for the period. The combined revenues of the Enerzone companies - recent acquisitions MEZ and BEZ as well as SEZ — as a group grew by 35.80%.

On the other hand, the consolidated revenues of the power generation business recorded a strong growth of 19.40% or ₱485.9 million. As in the year 2007, CPPC's contribution to 2008 consolidated revenue is the sole reason for the increase in this segment's increased revenue. The increase in CPPC's revenue contribution is attributed to its full year contribution compared to only seven (7) months revenue contribution for the whole year 2007. CPPC's revenue contribution for 2008 also rose as against 2007 level due to the higher cost of fuel which is passed on as part of its tariffs.

The 13.50% or ₱1.26 billion increase in consolidated costs and expenses was primarily due to the additional cost of CPPC's generated power. The higher cost of power purchased by SEZ, MEZ and BEZ also added to the increase.
Share in net earnings of associates came in almost flat for the full year 2008 at ₱2.79 billion versus ₱2.80 billion in 2007. The ₱1.09 billion income contribution of STEAG Power cushioned the impact of the decrease in MORE's consolidated net income as a result of the decreased contribution of its subsidiaries, SNAP-Magat and SNAP-Benguet. Both SNAP-Magat and SNAP-Benguet were impacted by the weaker Peso, which resulted to a huge swing from unrealized forex gains for the two companies in 2007 to unrealized forex losses in 2008. Notwithstanding the effects of the exchange rate fluctuations on its bottom line, SNAP-Benguet managed to contribute in recurring operating terms following the turnover of the Ambuklao-Binga plants in July 2008. EAUC, another recent acquisition, made a full year contribution of ₱112.19 million.

Interest income increased by 83.60%. The increase in interest income was due to the income earned on interest on the significant cash balances carried by parent through most of the year compared to 2007 where interest income from cash raised during the IPO proceeds came in for only half of the year.

Interest expense also increased by 91.70% due to the full year effect of a short term loan versus only two months of interest expense on this loan for 2007.

Other Income increased by ₱387.84 million due to the unrealized forex gains from the AP parent's dollar denominated cash balances and the lower unrealized forex losses in AP's subsidiary PHC.

As a result of the foregoing, income before income tax increased by ₱133.29 million or 2.70% over the same period a year ago. Provision for taxes decreased by 2.50% to ₱618.39 million from a prior period provision of ₱634.33 million.

Changes in Registrant's Resources, Liabilities and Shareholders Equity

Assets

Compared to year-end 2007 levels, consolidated assets increased by 30.70%, from ₱36.18 billion in December 2007 to ₱47.27 billion in December 2008, due to the following:

a. Cash & Cash Equivalents was at ₱14.92 billion, up by 12.30% from year-end 2007 level of ₱13.29 billion. This was due to additional cash brought in by short term loans of ₱949 million and the proceeds from the fixed rate notes offering of the Company which amounted to ₱3.89 billion. The increase in cash brought about by the capital raising activities mentioned above were expended for additional investments totaling ₱3.78 billion as well as for payment of dividends in the 1st quarter of the year amounting to ₱1.32 billion. The rest of the cash deployment was made for the capital expenditures during the year. Cash also increased due to dividends of ₱1.93 billion from associates.

b. Trade & Other Receivables increased by 19.90%, from ₱1.66 billion to ₱1.99 billion due to dividends receivable from an associate as well as interest bearing advances made to related parties.

c. Materials and Supplies decreased by 11.4% due to the purchase of inventories before year end 2007 for purposes of conducting programmed schedule of maintenance and use in Capex projects in 2008.

d. Other Current Assets increased by 59.10%, to ₱501.15 million from ₱314.89 million due to input VAT arising from construction in progress as well as higher taxes withheld.

e. Property, Plant and Equipment increased by 52.60% from ₱4.10 billion (as restated) in 2007 to ₱6.26 billion mainly due to the consolidation of the plant and equipment of Hedcor Sibulan, which is currently undertaking the construction of a 42.5 MW hydropower project in Davao del Sur, into PHC.

f. Intangible Assets-Service Concession Rights increased by ₱192 million or 29.0% primarily due to new capital expenditures by SEZ and MEZ which were booked as intangible assets following their adoption of IFRIC 12.

g. Investments and Advances to Associates increased by 45.60% or a total of ₱6.65 billion due to additional or new investments in associates with the significant investment/advances as follows:

   I. ₱3.39 billion for additional equity into MORE, which was in turn invested into the acquisition of the Ambuklao-Binga hydropower complex;
   II. ₱278.89 million in equity into RP Energy;
   III. ₱1.47 billion in investments/advances of subsidiary Abovant into CEDC, the project company for a 3X82 MW coal plant in Toledo City, Cebu.

h. Decrease of 58.40% in available for sale investments deemed to have decreased in value.

i. Decrease in Pension Assets by 66.20% resulting from the decreased contributions on retirement fund.

j. Deferred tax assets increased by 9.70% primarily due to the recording of deferred tax asset of subsidiary PHC on dollar-denominated advances from AP parent and some incremental deferred tax asset increase.

k. Other Noncurrent Assets increased by 20.20%, and is mainly representing the unamortized portion of remittances made by a subsidiary, Subic Enerzone on various lease agreements with SBMA.

Liabilities

Consolidated liabilities increased to a total of ₱16.58 billion, an 88.10% increase over year-end 2007 level. The following were the reasons for the increase.

a) Bank Loans increased by 43.50% or ₱1.45 billion due to the availment of the Company's subsidiaries of their respective credit lines for their working capital requirements as well as due to the increase in dollar-denominated debt as a result of the weakening of the Peso.

b) Trade and Other payables increased by 16.80% due to advances payable by subsidiary Abovant to shareholders to fund infusions into CEDC.

c) Income Tax Payable was lower by 27.20% due to lower income tax provision recorded during the period under review.

d) Long-term Debt increased by 678.40% or by ₱5.68 billion versus year-end 2007 level. This is due to the raising of ₱3.89 billion in fixed rate notes by AP Parent in December 2008 as well as Hedcor Sibulan's availment of of ₱1.72 billion long-term debt to finance the construction of its 42.5 MW hydropower project and SEZ's refinancing of its respective long-term debt.

e) An increase in Customer's Deposit of 14.40% or ₱197.16 million was mainly due to new connections in the franchise areas of CLP, DLP and SEZ.

f) Payable to Preferred Shareholder of a Subsidiary went down by 7.20% as annual payments were timely made to preferred shareholders.

g) Pension liability decreased by 5.90% as a result of lower pension obligations of AP parent and PHC.

h) Deferred Income Tax Liability increased by 52.10% due to unrealized forex gains on cash and dollar advances to a related party.

Equity

Equity attributable to equity holders of the parent increased by 12.80% from ₱26.74 billion as of December 2007 to ₱30.16 billion as of December 2008. This was mainly due to consolidated net income of ₱4.33 billion, an upward adjustment in share in cumulative translation adjustments of associates of ₱557.55 million and after a cash dividend payment of ₱1.33 billion in the first quarter of 2008.

The Company declared dividends of ₱0.18 per share to all stockholders as of record date February 21, 2008. This was paid on March 3, 2008.

Material Changes in Liquidity and Cash Reserves of Registrant

As of December 31, 2008, the Group's cash reserves posted a balance of ₱14.92 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 was only ₱1.89 billion this year compared to the net cash inflow of ₱4.00 billion for the same period last year. The seemingly lower cash from operations in 2008 versus 2007 is actually due to the inflow in 2007 from AEV payment of its advances to AP. This years cash from operations was mostly from cashflows from higher income before income tax in 2008.

Net cash used in investing activities was ₱5.95 billion compared to ₱8.70 billion for the same period last year. Out of the amounts used, ₱3.78 billion is accounted for by additional or new investments, acquisitions of and or capital expenditures for property, plant and equipment of ₱2.62 billion and payments of advances to associates of ₱1.69 billion. These outflows were met partially through interest received in the amount of ₱595 million, dividends received from associates in the amount of ₱1.93 billion and collections of advances from affiliates and interest income received.

Net cash from financing activities for the period in review was ₱5.28 billion, which was mainly the net result of inflows of long-term debt in the amount of ₱5.71 billion, of which fixed rate notes came in at ₱3.89 billion and ₱1.7 billion in Hedcor loans. Short term loans of ₱949 million were availed of by subsidiaries to fund working capital requirements. There were also cash outflows for the ₱1.32 billion dividend payout in the first quarter of 2008.

The Company finished the year with net cash inflows of ₱1.17 billion. The cash and cash equivalents of ₱14.92 billion for the period ending December 31, 2008 was 12.30% higher than the cash balance of ₱13.29 billion in December 31, 2007. This is consistent with management's plan of raising capital and to deploy cash raised from these activities to improve its generation and distribution facilities, acquire existing power facilities and develop Greenfield projects.

Financial Ratios

Current ratio decreased by 0.33, from 2.52x as of December 2007 to 2.19x in December 2008. This was due to the increase in current liabilities due to higher bank loans incurred in 2008 to fund working capital requirements and translation impact of the weaker peso. Current liabilities also went up due to higher trade

and other payables. The cash raised from capital raising activities of the Company in 2007 and 2008 was deployed into investments made by the Company during the year. This is consistent with the Company's long-term plan of improving shareholder value by deploying capital into high yielding investments.
Debt-to-equity ratio increased from 0.32 as of December 31, 2007 versus 0.54 as of December 31, 2008 as AP raised debt to fund its various investing activities.

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 events or uncertainties that have had or are reasonably expected to have a material impact on the financial condition and operations of the Company.

Power Generation

AP ended the year 2008 with an attributable generation capacity of 578 MW, an 18% increase from end 2007 level. This capacity expansion was brought about by the turnover of the 175 MW Ambuklao-Binga hydroelectric plants in July 2008. This is expected to further increase by 80.0% as the Tiwi-Makban geothermal plants are turned over in 2009.

- On November 28, 2007, 50.0% owned SNAP-Benguet submitted the highest bid for the 175 MW Ambuklao-Binga hydroelectric power complex located in Benguet. The price offered amounted to US$325 million.

  Only the 100 MW Binga hydroelectric plant in Itogon, Benguet is operational with an estimated annual generation capacity of 400 GWh. Plans for rehabilitating the plant are being evaluated, which involve the increase in the plant's generation capacity to 120 MW.

  The 75 MW Ambuklao hydro plant located in Bokod, Benguet ceased operations since the mid-90s after the facility was damaged by an earthquake. Rehabilitation and expansion works commenced in July 2008. After full completion, which is estimated by November 2010, the plant's generation capacity is expected to increase to 105 MW.

- On July 30, 2008, 100% owned APRI submitted the highest bid to the PSALM for the Tiwi-MakBan geothermal. Total generation capacity based on steam availability is estimated at 462 MW. The price offered amounted to approximately US$447 million.

  The Asset Purchase Agreement between PSALM and APRI was signed and became effective on August 26, 2008. Under PSALM bidding rules, the closing date for the acquisition of Tiwi-Makban shall be 60-270 days from effectivity date, at which time PSALM shall turn over the Tiwi-MakBan assets and contracts to APRI. Turnover date is expected to take place on May 25, 2009.

AP, on its own or with strategic partners, plans to participate in the upcoming bids for the privatization of the government's power assets.

National Power Corporation (NPC), through PSALM, intends to reach its privatization level to at least 70.0% of the total capacity of generating assets of NPC in Luzon and Visayas by end 2009.

In particular, the Company is considering participating in the bidding for the 112.5 MW Tongonan geothermal plant in Leyte province and the 192 MW Palinpinon geothermal plant in Negros Oriental.

AP also intends to participate in PSALM's public auction for the 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. AP likewise submitted letters of interest to PSALM for the bidding of the 100 MW Power Barge 117, 100 MW Power Barge 118 and 55 MW Naga Land Based Gas Turbine Power Plant.

AP is also involved in Greenfield projects – the Sibulan hydropower project in Davao and the Toledo coal-fired plant in Cebu.

- On June 26, 2007, AP's 100%-owned subsidiary, Hedcor Sibulan began construction work on the 42.5 MW run-of-river hydropower project in Barangay Sibulan, Sta. Cruz, Davao del Sur. 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. Construction is expected to be completed by end of 2009.

  Hedcor Sibulan is part of the consortium that entered into a Power Supply Agreement (PSA) that involves the supply of 400,000,000 kWh per year to DLP. The term of the PSA is from March 7, 2007 to the last day of the 12th year from August 1, 2009. The term may be adjusted, extended, or terminated in accordance with the PSA. The bid price for the contracted energy is 4.0856 per kWh (adjusted for inflation).

  The Sibulan project, which is estimated to displace over 95,000 tons of CO2 equivalent annually, is registered under the United Nations Framework Convention on Climate Change as a Clean Development Mechanism. This registration will allow Hedcor Sibulan to sell carbon credits in the worldwide market up to 2012. Based on current prices, Hedcor Sibulan is estimated to generate roughly US$2 million in additional revenues.

- In August 2007, AP, together with Vivant Energy Corporation of the Garcia Group, signed a Memorandum of Agreement with Metrobank Group's Global Power and Formosa Heavy Industries for the construction and operation of a 3x82 MW coal-fired power plant in Toledo City, Cebu. In 2008 the consortium incorporated CEDC as the project company of the 3x82 MW coal plant. Completion of the first unit is expected by first quarter of 2010, while the first and third units by the second half of 2010. AP will have an effective participation of 26.40% in the project.

Other Greenfield projects in the pipeline are the Tamugan hydropower project in Davao and the coal- fired plant in the SBFZ.

- 100% owned Hedcor Tamugan plans to build two distinct run-of-river hydroelectric plants with combined capacity of 27.5 MW hydropower plant in Davao City. The project's commencement has been put on hold due to an unresolved issue with the Davao City Water District on the water rights over the Tamugan river.

  Hedcor Tamugan, together with Hedcor Sibulan, is part of the consortium that entered into a PSA with DLP for the e supply of 400,000,000 kWh per year to DLP.

- The construction of the 300 MW coal plant in the SBFZ was deferred pending further review of the power demand in the Luzon Grid. AP and its partner, Taiwan Cogeneration International Corporation, will review again the Subic coal project in the middle of the year and decide whether or not to proceed with the project.

Power Sector (Distribution)

The Energy Regulatory Commission (ERC) has issued its Final Determination on CLP's application for approval of its annual revenue requirement and performance incentive scheme under the PBR. This covers the second regulatory four-year period, which commenced on April 1, 2009.

The ERC had conducted public hearings on March 3 and 4, 2009 on CLP's resulting distribution rate structure. The ERC decision is expected on or before the end of April 2009. CLP expects to implement the new rate structure on May 1, 2009, which is one month later than the scheduled start of the second regulatory period. Any resulting under- or over-recovery in revenue will be reflected in the correction factor at the next rate application to be implemented in April 2010.

VECO and DLP entered their respective reset periods in end 2008, and are expected to enter the four-year regulatory period 18 to 24 months thereafter. SFELAPCO and SEZ are part of the fourth batch of private utilities to enter PBR, with new rates to be effective by 2011.

Except for the developments disclosed in some other portion of this report and the audited financial statements, there are, as of December 31, 2008 no known trends, events or uncertainties that have had or are reasonably expected to have a material impact on net sales, revenues, income from continuing operations or on relationship between costs and revenues. There were also no events that would trigger substantial or contingent financial obligations or cause any default or acceleration of an existing obligation.

Key Performance Indicators for 2007 (as restated) and 2006 (as restated) are as follows:

Key Performance Indicators	2007 As restated	2006 As restated
Amounts in thousands ₱ s, except for financial ratios		
EQUITY IN NET EARNINGS OF INVESTEES	**2,803,833**	**1,075,844**
EBITDA	**5,584,406**	**2,936,982**
CASH FLOW GENERATED:		
Net cash flows from operating activities	3,998,435	825,509
Net cash flows from (used in) investing activities	(8,694,912)	931,005
Net cash flows from (used in) financing activities	16,705,532	(1,239,883)
Net Increase (Decrease) in Cash & Cash Equivalents	**12,009.055**	**516,631**
Cash & Cash Equivalent, Beginning	1,494,272	985,188
Cash & Cash Equivalent, End	**13,287,811**	**1,494,272**
CURRENT RATIO	**2.52**	**3.15**
DEBT TO EQUITY RATIO	**0.32**	**0.46**

Above key performance indicators exceeded management expectations.

Earnings contributions of recently power assets acquired during the year accounted for the increase in equity in net earnings of investees. Income contributions generated by MORE, STEAG Power and EAUC offset the decline in LHC's earnings. The decline in LHC's earnings was foreseen as capacity fee rates were already known to be lower during the period in review. LHC follows a fee schedule that is stipulated in its contract with the NPC. The other reason for the decline in LHC's net income was the strengthening of the peso against the US dollar.

The new additions and more importantly the strong showing of AP's subsidiaries resulted to the 90.1% year-on-year growth in EBITDA. Strong revenue growth due to increased volume sales, coupled with improved operating efficiencies, led to robust operating margins. The fresh earnings contribution of recently acquired CPPC was also another source of growth.

With controls in place, the Company managed to keep and even raise the levels of cash it accumulated from the capital raising activity it set out during the year. Improved utilization of capital should enable AP to enhance shareholder value as it explores and takes advantage of growth opportunities in its businesses.
The government, through NPC and the PSALM, is expected to continue to auction off power generation assets. The Company is currently evaluating the investment viability of these assets and intends to participate in the upcoming bidding process.

Year Ended December 31, 2007 (as restated) compared to year ended December 31, 2006 (as restated)

Results of Operations

AP's consolidated net income for 2007 was ₱4.28 billion for the year, a hefty 125.90% increase over the 2006 net income of ₱1.89 billion. Earnings per share improved to ₱0.66 from ₱0.37 for the comparative period in review.

The power generation business's contribution to net income to equity holders of parent was ₱2.61 billion, recording an increase of 209.90% from last year's ₱842.53 million. The increase was mainly due to the increment in AP's attributable generating capacity by 291.0% as a result of the acquisition of 50.0% of the 360 MW Magat hydropower plant, 60.0% of the 70 MW thermal power plant owned and operated by CPPC, 50.0% of the 50 MW thermal power plant owned and operated by EAUC and 34.0% of the 232 MW coal-fired plant owned and operated by STEAG Power. The four facilities started contributing to AP's results in the second half of 2007.

The power distribution business, as a whole, contributed ₱1.52 billion to net income to equity holders of the parent, up 52.0% year-on-year from ₱999.85 million. This was at the back of electricity sales growth of 11.0% year-on-year by all subsidiaries and associates, from 2,507 GWh in 2006 to 2,790 GWh in 2007. The increase in the income contribution of the power distribution business was also due to an improvement in the gross profit per kWh.

Material Changes in Line Items of AP's Income Statement

Consolidated net income attributable to equity holders of the parent increased by 122.70% due to the following:

a. Operating revenues net of operating expenses at year-end 2007 registered at ₱1.98 billion, up by 54.50% or an increase of ₱699 million over the gross profit the previous year. Consolidated revenues grew by 30.0% to ₱11.31 billion while operating expenses were up by 26.10% to ₱9.33 billion from ₱7.40 billion. Fresh contribution from CPPC accounted for 52.0% of the increase in gross profit.

   The power distribution subsidiaries finished the year with an increase of 11.10% in operating revenues, mainly due to higher kWh sold that grew by 26.0% year-on-year. The power generation group's consolidated revenues, on the other hand, recorded a notable 244.0% year-on-year increase. CPPC accounted for 66.70% of the total increase in consolidated revenues.

   Operating expenses were composed mainly of generated power and purchased power cost. The generated power cost component increased by 990.10% during the year due to the consolidation of CPPC. Purchased power cost also increased by 10.90%, primarily due to higher amount of electricity purchased as kWh sold by the distribution group increased.

b. Share in net earnings of associates increased by 160.60% principally due to the income contribution of the newly acquired associates. MORE, STEAG Power and EAUC contributed ₱1.62 billion, ₱94 million and ₱62 million, respectively.

   Meanwhile, LHC posted a decline in earnings contribution as revenues were reduced due to the reduction in contracted capacity fee rates and the strengthening of the Philippine Peso versus the US dollar.

c. Interest income increased by 524.40% due to higher placements coming from IPO proceeds of the Company. Interest expense dropped by 11.30% due to a decline in interest rates. As of December 31, 2007, 80.0% of the Group's long-term debt had floating interest rates ranging from 6.21% to 6.89%, and 20.0% of the debts had fixed rates ranging from 8.78% to 9.50%. As of December 31, 2006, 56.0% of the Group's long-term debt had floating interest rates ranging from 7.48% to 9.23%, and 44.0% had fixed rates ranging from 8.78% to 11.20%.

d. Other Income net of other expenses decreased by ₱119.36 million or 110.30% mainly due to higher foreign exchange loss recorded at the Company and PHC.

   As a result of the foregoing, income before income tax increased by 113.7% year-on-year. Correspondingly, provision for income tax increased by 57.0% as a result of higher taxable income reported by the Company.

Material Changes in AP's Resources, Liabilities and Shareholders Equity

Assets

Compared to year-end 2006 levels, the Company's consolidated assets grew by 195.0%, from ₱12.28 billion in December 2006 to ₱36.18 billion in December 2007, due to the following:

a. Cash & Cash Equivalents were at ₱13.29 billion, up by 789.40% from year-end 2006 level of₱1.49 billion. This is mainly attributed to the higher cash balance at the parent company level. The increase was due to excess funds from the capital raised during the IPO.

b. Trade & Other Receivables decreased by 36.0%, from ₱2.60 billion to ₱1.66 billion. This is mainly due to the payment by AEV of its advances from the Company.

c. Materials and Supplies were higher by 72.50%, from ₱217.12 million to ₱374.63 million. Current balance includes the ₱88 million materials and supplies of CPPC. The increase was also due to DLP's inventory build up for use in future capex projects.

d. Other Current Assets increased by 140.90% to ₱314.89 million from ₱184.20 million, 44.0% of which came from input VAT of newly acquired CPPC. Remaining amounts also relate to net input VAT of PHC.

e. Property, Plant and Equipment-net increased by 32.90%, ₱4.10 billion versus ₱3.09 billion, mainly due to the consolidation of the plant and equipment of newly acquired CPPC, MEZ and BEZ, the additional ownership in SEZ and the ongoing construction of the Hedcor Sibulan project.

f. Investments in and Advances to Associates increased by 272.40%, from ₱3.92 billion in December 2006 to ₱14.60 billion in December 2007. Acquisitions made during the year in review accounted for the increase. Moreover, the carrying values of existing equitized investments also increased as AP recognized its share in the earnings of associates amounting to ₱2.80 billion, net of the ₱581.79 million cash dividends received.

g. AP recorded an increase in Goodwill of 352.30%, from ₱220.23 million to ₱996.00 million. This was mainly goodwill of newly acquired utilities BEZ and MEZ.

h. Deferred Income Tax Assets increased by ₱50.81 million, attributable mainly to deferred tax on unrealized foreign exchange loss of the subsidiaries' advances to related party.

i. Other Noncurrent Assets were up by 105.10%, from ₱33.95 million to ₱69.64 million. This was principally due to SEZ's prepaid rent to SBMA.

Liabilities

Consolidated bank loans and long-term debts increased by 249.0%, or ₱2.98 billion, compared to 2006 year-end level. The significant increase is mainly due to the ₱3.31 billion short-term bank loan of the Company that arose out of the STEAG Power acquisition.

Trade and other payables were up 132.1%, ₱2.69 billion versus ₱1.16 billion, mainly attributable to subsidiaries' advances to the Company.

Customers' deposits grew by 21.70% due to the increase in the power distribution group's customer base and the recording of customers' deposits of new acquisitions MEZ and BEZ.

Income tax payable was up 85.20% principally due to higher income tax provision recorded during the period under review.

Equity

Equity attributable to equity holders of the Company grew by 221.80%, from ₱8.31 billion as of December 2006 to ₱26.74 billion as of December 2007, largely due to the issuance of new shares during the IPO. This brought in additional equity of ₱11.36 billion. AP also issued new shares to existing shareholder, AEV, before the IPO, resulting to additional capital contributions of ₱4.07 billion.

Retained earnings grew by 125.500% to ₱7.48 billion against ₱3.32 billion in 2006. This was brought about mainly by the ₱4.28 billion net income recorded for the year 2007.

The ₱681.88 million decline in share in cumulative translation adjustments of associates was due to the further appreciation of the Philippine peso against the US dollar to ₱41.28 as of December 31, 2007 from ₱49.05 as of December 31, 2006. The power generating associates, which adopt the US dollar functional currency financial reporting, recorded foreign exchange adjustments during the year. This resulted out of the translation of their financial statements to Philippine peso currency reporting format. These foreign exchange adjustments are booked under Share in Cumulative Translation Adjustments of Associates' account.

A reduction in acquisition of minority interests of ₱107.16 million represents excess of purchase price over carrying value of SEZ as a result of the acquisition by the Company of the minority shares of AEV, SFELAPCO and Team Philippines.

Financial Ratios

Current assets increased by ₱11.20 billion, largely due to higher cash and cash equivalents arising out of the capital raising activities of AP. This more than offsets the ₱4.81 billion increase in current liabilities resulting from additional debt incurred by the Company in its acquisition of EAUC and STEAG Power.
However, the resultant current ratio is lower by 0.64, from 3.15:1 as of year-end 2006 to 2.52:1 as of December 2007. Debt-to-equity ratio on the other hand, improved in comparison to last year's figures, from 0.46:1 and 0.32:1 as of December 31, 2006 and December 2007, respectively. The improved performance was due also to the additional capital raised by AP.

Material Changes in Liquidity and Cash Reserves of AP

The Company managed to carry out its investing and capital raising initiatives successfully during the year that it ended up very liquid. The cash it accumulated will be used to fund its programmed capital expenditures and to finance planned asset acquisitions.

Net cash from operating activities increased by 384.4%, from ₱825.50 million as of December 31, 2006 to ₱4.00 billion in 2007. The increase can be attributed to higher earnings contributions by subsidiaries and the collection of advances.

Net cash used in investing activities at year-end of 2007 stood at ₱8.69 billion versus ₱931.00 million cash provided in the comparative period in 2006. The net usage was mainly due to the new investments in MORE, STEAG Power and EAUC.

Net cash from financing activities for the period in review was at ₱16.71 billion as opposed to net cash usage for financing activities of ₱1.24 billion in 2006. The ₱17.94 billion increase is primarily a capital infusion by the Company during the second quarter of 2007 as well as from the excess of the IPO proceeds.

With well managed cash, improved operating efficiencies and controls, the Group ended the year 2007 with net cash inflows exceeding the cash outflows resulting to an increase in cash and cash equivalents of ₱11.80 billion, from ₱1.49 billion in 2006 to ₱13.29 billion in the year under review.

Item 7. Information on Independent Accountant and other Related Matters

External Audit Fees and Services

The following table sets out the aggregate fees billed to the Company for each of the last three years for professional services rendered by SGV & Co.

Fee Type	2009	2008	2007
Audit Fees	-----	4,650,000	15,498,880
Other Fees	-----		-
Total	-----	4,650,000	15,498,880

Of the total audit fees incurred in 2007, approximately ₱14.4 million was incurred by AP in connection with the initial offering of its common shares in July 2007. Of the total audit fees incurred in 2008 approximately ₱4.2 million was incurred by AP in connection with the requirements of the bond offering.

As a matter of policy, the Company's Audit Committee makes recommendations to the Board of Directors regarding the selection of the Company's external auditor. The Audit Committee also pre-approves audit plans, scope and frequency before any audit is conducted.

Audit services of SGV & Co. for the 2007 and 2008 were pre-approved by the Audit Committee. The Audit Committee also reviewed the extent and nature of these services to ensure that the independence of the external auditors was preserved.

SGV & Co. does not have any direct or indirect interest in the Company.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The accounting firm of Sycip, Gorres, Velayo & Company (SGV) has been AP's Independent Public Accountant for the last 11 years, and will be recommended to the stockholders for election, approval and ratification. Mr. Ladislao Z. Avila, Jr. has served as audit partner of AP such since 2004. AP shall comply with the requirements of Sec. 3(b)(iv) of SRC Rule 68 on the rotation of external auditors or signing partners. Representatives of SGV will be present during the annual meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions if needed.

There was no event in the past 11 years where AP and SGV or the handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

In its regular meeting last March 3, 2010, the Audit Committee of AP resolved to submit a for the approval of the stockholders during the Annual Stockholders' Meeting a proposal to delegate to the Board of Directors the authority to appoint the Company's external auditors for2010. The proposal is intended to give the Audit Committee sufficient time to evaluate the different auditing firms who have submitted engagement proposals to act as AP's external auditor for 2010.

PART III – CORPORATE GOVERNANCE

AP has a Manual of Corporate Governance (the "Manual") and Code of Ethics and Business Conduct (the "Code") to guide the attainment of its corporate goals and strategies.

AP has in place a performance evaluation system for corporate governance. It also participated, and intends to participate in the annual Corporate Governance Scorecard Survey of the SEC and the PSE to benchmark its corporate governance practices against best practices. The Compliance Officer regularly monitors and evaluates compliance by the Board of Directors, management and employees with the Manual. Together with the Human Resources Department, the Compliance Officer also ensures the implementation of AP's rule against conflict of interests and the misuse of inside and proprietary information throughout the organization.

Corporate governance is further fostered by the Board's active role in reviewing and approving corporate goals and strategies set by management as well as in monitoring and evaluating management performance in meeting such goals. The different Board committees, namely, the Audit, Board Corporate Governance, Board Strategy and Board Risk Management, which report regularly to the Board, are crucial to maintaining Board oversight in key management areas.

There are no major deviations from the Manual as of the date of this report. The Board of Directors regularly reviews the Manual to ensure that the same remains relevant and responsive to the needs of the organization.

In addition, the ERC has also issued regulations that must be complied with by all power industry participants and which are designed to protect End-users. These regulations include The Magna Carta for Residential Consumers, Distribution Services Open Access Rules, the Code of Conduct for Competitive Retail Market Participants, Guidelines for Financial Standards of Generation Companies, the Philippine Distribution Code, the Philippine Grid Code and Business Separation Guidelines.

Further, ERC regulations require directors of distribution utilities to attend corporate governance seminars. The directors of each of the Distribution Companies have complied with ERC requirements for attendance at these seminars.

Board Attendance

The Board's primary objectives are to improve shareholder returns, to develop responsible long-term investments, and achieve disciplined and sustainable growth.

In 2009, the Board held nine (9) regular and special meetings. Below is a summary of the attendance of the Directors:

DIRECTORS	SPECIAL AND REGULAR BOARD MEETINGS 2009								
	11-Feb	31-March	15-April	18-May	25-June	16- July	16-Sept	12-Nov	14-Dec
Enrique M. Aboitiz Jr. (elected 05-18-09 as Chairman of the Board)	-	-	-	-	Absent	Present	Present	Present	Present
Jon Ramon Aboitiz (Chairman of the Board until May 18)	Present	Present	Present	Present	-	-	-	-	-
(elected 5-18-09 as Vice Chairman)	-	-	-	-	Absent	Present	Present	Present	Present
Erramon I. Aboitiz	Present	Present	Present	Present	Present	Present	Present	Present	Present
Ernesto R. Aboitiz	Present	Present	Present	Present	Present	Present	Absent	Absent	Present
Antonio R. Moraza	Present	Present	Absent	Present	Present	Present	Present	Present	Present
Mikel A. Aboitiz	Present	Present	Present	Present	Absent	Present	Present	Present	Present
Juan Antonio E. Bernad (Director until May 18)	Present	Present	Present	Present	-	-	-	-	-
Jaime Jose Y. Aboitiz (elected 5-18-09 as Director)	-	-	-	-	Absent	Present	Present	Present	Present
Jose R. Facundo (Independent Director)	Present	Present	Present	Present	Present	Present	Present	Present	Present
Romeo L. Bernardo (Independent Director)	Present	Present	Present	Present	Present	Present	Present	Present	Present
Total No. of Directors Present	8	8	7	8	5	9	8	8	9

Corporate Governance Initiatives

During its regular meeting last February 12, 2009, the Board of Directors of AP approved the creation of additional Board committees and the consolidation of existing ones. The reorganization aims to a) enhance the role of the Board of Directors in governance, b) better represent and protect the interests of all stakeholders of the Company, c) ensure compliance with regulatory standards and provide appropriate information and updates.

The mandate as well as the composition of each Board committee are described below:

- The **Board Corporate Governance Committee** (new) shall represent the Board in discharging its responsibility relating to issues around the Group's governance principles and guidelines, nomination of persons into Board and Group senior leadership roles and the various compensation matters as outlined below. The Committee does not have decision-making authority, except in the circumstances described herein or where on the extent that such authority is expressly delegated by the Board.

  Chairman: Jon Ramon Aboitiz, Members: Enrique M. Aboitiz Jr., Independent Director Jose R. Facundo, Independent Director Romeo L. Bernardo, Ex-Officio Members: M. Jasmine S. Oporto, Sebastian R. Lacson, Xavier J. Aboitiz

- The **Board Strategy Committee** (new) handles the strategic/policy, diversification and investment elements of the roles of the Board.

  Chairman: Enrique M. Aboitiz Jr., Members: Erramon I. Aboitiz, Mikel A. Aboitiz, Jon Ramon Aboitiz, Ex-Officio Member: Juan Antonio E. Bernad

- The Board **Audit Committee** (existing) oversees the optimization of effective financial management, as well as compliance with reporting regulatory requirements.

Chairman: Independent Director Jose R. Facundo, Members: Independent Director Romeo L. Bernardo, Mikel A. Aboitiz, Ex-Officio Member: Juan Antonio E. Bernad

- The **Board Risk Management Committee** (new) reviews any business risk exposures across the Group, including risks categorized as strategic, reputational, operational, financial, compliance related, environmental and regulatory.

  Chairman: Antonio R. Moraza, Members: Erramon I. Aboitiz, Independent Director Jose R. Facundo, Juan Antonio E. Bernad, Ex-Officio Member: Rolando C. Cabrera AEV Chief Risk Management Officer

ANNEX “A”

SUMMARY OF THE MINUTES OF THE 2009 AP ANNUAL STOCKHOLDERS’ MEETING

The meeting was called to order on May 18, 2009 at 11:00 a.m. by the Chairman of the Board, Mr. Jon Ramon Aboitiz.

The Corporate Secretary certified to the existence of a quorum, there being present a majority of the outstanding capital stock of the Corporation in person or by proxy.

Upon motion duly made and seconded, the minutes of the annual stockholders meeting last May 18, 2009 was approved.

The body passed the following resolutions:

1. Approval of the 2008 Annual Report and Financial Statements
2. Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management up to May 18, 2009.
   Delegation of the Authority to Elect the Company's External Auditors for 2009 to the Board of Directors
3. Election of the Board of Directors
4. Approval of Directors' Compensation and Per Diem for 2009
5. Approval of the Proposed Amendments to the Company's By-Laws
6. Approval of the Proposal to Delegate to the Board of Directors the Power to Amend/Repeal the Company's By-laws or Adopt New By-laws of the Company.

After the approval of such Resolutions, the meeting was duly adjourned.