March 18, 2011

PHILIPPINE DEALING & EXCHANGE CORP.
MARKET REGULATORY SERVICES GROUP
Attn: **MS. MA. CONCEPCION M. MAGDARAOG**
Issuer Compliance and Disclosures Department
37/F, Tower 1, The Enterprise Center
6766 Ayala Ave. cor Paseo de Roxas, Makati City

PHILIPPINE STOCK EXCHANGE, INC.
Attn: **MS. JANET A. ENCARNACION**
Head – Disclosure Department
Tower One and Exchange Plaza
Ayala Triangle, Ayala Ave., Makati City

RE : **SEC FORM 20-IS (Preliminary Information Statement)**

Gentlemen:

We file herewith a copy of SEC Form 20-IS (Preliminary Information Statement) of Aboitiz Power Corporation (AboitizPower). Also enclosed is the cover letter for AboitizPower's SEC Form 20-IS addressed to the Securities and Exchange Commission.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION
By

M. Jasmine S. Oporto

M. JASMINE S. OPORTO
Corporate Secretary

AboitizPower

March 18, 2011

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

ATTENTION : **ATTY. JUSTINA CALLANGAN**
Director

RE : **SEC FORM 20-IS (Preliminary Information Statement)**

Dear Atty. Callangan:

We file herewith two (2) copies of SEC Form 20-IS (Preliminary Information Statement) of Aboitiz Power Corporation.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

LEAH I. GERALDEZ
Office of the Corporate Secretary

COVER SHEET

C199800134

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	**032-411-1804**
Contact Person	Company Telephone Number

Preliminary Information Statement
2011

12 31	20-IS	3rd Monday of May 05 17
Month *Day*	FORM TYPE	*Month* *Day*
Fiscal Year		Annual Meeting

Secondary License Type, if Applicable

SEC

Dept. Requiring this Doc

Amended Articles Number/Section

	x	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

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 16, 2011 at 11:00 a.m. at the Niña Ballroom of the Radisson Blu Hotel, Serging Osmena Blvd. Corner Juan Luna Ave., 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 17, 2010
5. Presentation of the President's Report
6. Approval of the 2010 Annual Report and Financial Statements
7. Delegation of the Authority to Elect the Company's External Auditors for 2011 to the Board of Directors and/or the Board Audit Committee
8. Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2010 up to May 16, 2011
9. Approval of the Directors' Compensation and Per Diem for 2011
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 March 31, 2011 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 18, 2011, 4:00 p.m., at the Main Lounge, Manila Polo Club, McKinley Road, Forbes Park, 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:

   [x] 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: **May 16, 2011**
   Time: **11 o'clock a.m.**
   Place: **Niña Ballroom, Radisson Blu Hotel, Serging Osmena Blvd. corner Juan Luna Ave., Cebu City, Cebu**

9. Approximate date when the Information Statement is first to be sent or given to security holders **April 25, 2011**

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, 2011 7,358,604,307

Amount of Debt Outstanding as of December 31, 2010 ₱ ____________

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 16, 2011**
Time of meeting	:	**11 o'clock a.m.**
Place of meeting	:	**Niña Ballroom, Radisson Blu Hotel, Serging Osmena Blvd. corner Juan Luna Ave., Cebu City, Cebu**
Approximate mailing date of this statement	:	**April 25, 2011**
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 AboitizPower 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 AboitizPower, within 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, AboitizPower 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 AboitizPower 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 AboitizPower, 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 AboitizPower within thirty days after such award is made. No payment shall be made to any dissenting stockholder unless AboitizPower has unrestricted retained earnings in its books to cover such payment. Upon payment by AboitizPower of the agreed or awarded price, the stockholder shall forthwith transfer his shares to AboitizPower.

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

(a) No current director or officer of AboitizPower, or nominee for election as director of AboitizPower, 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 AboitizPower in writing that he intends to oppose any action to be taken by AboitizPower 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, 2011:

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: March 31, 2011

All stockholders of record as of March 31, 2011 are entitled to notice and to vote at AboitizPower'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 AboitizPower, multiplied by the number of directors to be elected.

Article 1 Section 5 of the amended By-Laws of AboitizPower 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 days prior to the opening of said meeting.

In accordance with Sections 2 and 3 of AboitizPower's Guidelines for the Constitution of the Nomination Committee and the Nomination and Election of Independent Directors (the "Guidelines"), nominations for independent directors must be submitted to the Corporate Secretary from January 1, 2011 to February 15, 2011.

Section 7, Article I of the amended By-Laws provides that nominations for the election of the other directors for the ensuing year must be received by the Corporate Secretary no less than 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, 2011:

Title of Class	Name/Address of Stockholder and Beneficial Owner	Relationship with AboitizPower	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	804,762,081 (Record)	10.94%
Common	**3. PCD Nominee Corp.**	Stockholder	Non-Filipino	584,666,672 (Record)	7.95%

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, 2011, 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	2,735, 600,915(Record)	49.54%
Common	**2. PCD Nominee Corporation**	Filipino	644,656,703 (Record)	11.67%
Common	**3. Ramon Aboitiz Foundation, Inc.** 35 Lopez Jaena St., Cebu City, 6000	Filipino	420,915,863 (Record)	7.62%

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

(2) Security Ownership of Management as of February 28, 2011 (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	31	Direct	Filipino	0.00%
Common	Mr. Jon R. Aboitiz Vice Chairman	1	Direct	Filipino	0.00%
		7,792,020	Indirect		0.11%
Common	Mr. Erramon I. Aboitiz President and Chief Executive Officer	1	Direct	Filipino	0.00%
		12,925,000	Indirect		0.18%
Common	Mr. Mikel A. Aboitiz Director	1	Direct	Filipino	0.00%
		7,960,920	Indirect		0.11%
Common	Mr. Antonio R. Moraza Director/Executive Vice President & Chief Operating Officer – Power Generation Group	1	Direct	Filipino	0.00%
		29,004,041	Indirect		0.39%
Common	Mr. Jaime Jose Y. Aboitiz Director/ Executive Vice President & Chief Operating Officer – Power Distribution Group	2,362,500	Direct	Filipino	0.03%
		1,738,594	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. Jakob Disch Independent Director	1,000	Direct	Swiss National	0.00%
Common	Mr. Juan Antonio E. Bernad Executive Vice President– Strategy and Regulation	520,001	Direct	Filipino	0.00%
Common	Mr. Luis Miguel Aboitiz Senior Vice President – Power Marketing and Trading	2,060,000	Direct	Filipino	0.03%
Common	Mr. Gabriel T. Mañalac Senior Vice President – Treasurer	50,000	Direct	Filipino	0.00%
Common	Mr. Iker M. Aboitiz First Vice President/CFO/Corporate Information Officer	3,177,545	Direct	Filipino	0.04%
N/A	Mr. Manuel R. Lozano First Vice President/ Chief Financial Officer – Power Generation Group	0	N/A	Filipino	0.00%
Common	Mr. Raymond E. Cunningham First Vice President – Business Development	42,500	Direct	American	0.00%
Common	Mr. Manuel M. Orig First Vice President – Mindanao Affairs	238,738	Direct	Filipino	0.00%
Common	Mr. Wilfredo R. Bacareza, Jr. Vice President – Project Development	300,000	Direct	Filipino	0.00%

Title of Class	Name of Beneficial Owner and Position	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
N/A	Mr. Thomas J. Sliman, Jr. Vice President – Business Development	0	N/A	American	0.00%
N/A	Mr. Alvin S. Arco Vice President – Regulatory Affairs	0	N/A	Filipino	0.00%
N/A	Mr. Anastacio D. Cubos, Jr. Vice President – Special Projects	0	N/A	Filipino	0.00%
Common	Mr. Raul C. Lucero Vice President for Engineering- Power Distribution Group	110,000	Direct	Filipino	0.00%
Common	Ms. Ma. Chona Y. Tiu Vice President and Chief Financial Officer- Power Distribution Group	92,070	Direct	Filipino	0.00%
		50,000	Indirect		0.00%
N/A	Mr. Roland U. Gaerlan VP - Marketing	0	N/A	Filipino	0.00%
N/A	Mr. Bienamer D. Garcia Vice President Distribution Customer Services	0	N/A	Filipino	0.00%
N/A	Mr. Dennis de la Serna Assistant Vice President for Regulatory Affairs	0	N/A	Filipino	0.00%
Common	Mr. Nestor F. Aliman Assistant Vice President for Business Development	43,103	N/A	Filipino	0.00%
N/A	Ms. Maria P. Garcia Assistant Vice President for Trading	0	N/A	Filipino	0.00%
Common	Mr. Carlos Copernicus S. Payot Assistant Vice President & Controller - Power Distribution Group	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%
N/A	Mr. Aladino B. Borja Jr. Assistant Vice President for Information Services- Power Distribution Group	0	N/A	Filipino	0.00%
N/A	Mr. Ronald Enrico V. Abad Assistant Vice President - Project Development	0	N/A	Filipino	0.00%
N/A	Mr. Roberto V. Orozco Assistant Vice President for Civil Site Construction	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%

Title of Class	Name of Beneficial Owner and Position	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
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 – Power Generation Group	44,827	Direct	Filipino	0.00%
Common	Ms. Arazeli L. Malapad Assistant Vice President for Accounting – Power Generation Group (Luzon)	7,000	Direct	Filipino	0.00%
N/A	Ms. Paquita S. Tigue – Rafols Assistant Vice President for Accounting – Power Generation Group (Mindanao)	0	N/A	Filipino	0.00%
N/A	Ms. Ma. Kristina C.V. Rivera Assistant Vice President for HRQ – Power Generation Group	0	N/A	Filipino	0.00%
N/A	Juan Manuel J. Gatmaitan Assistant Vice President for Power Marketing	0	N/A	Filipino	0.00%
N/A	Ms. Katrina Michaela D. Calleja Assistant Vice President for Branding	0	N/A	Filipino	0.00%
Common	Ms. Ma. Cielita Aniga Assistant Vice President Distribution Human Resources	56,034	Direct	Filipino	0.00%
N/A	Ms. Susan S. Policarpio Assistant Vice President-Government Relations	0	N/A	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 Assistant Vice President-Controller	20,000	Direct	Filipino	0.00%
Common	Ms. M. Jasmine S. Oporto Corporate Secretary	149,000	Direct	Filipino	0.00%
Common	Mr. Joseph Trillana T. Gonzales Assistant Corporate Secretary	56,527	Direct	Filipino	0.00%
	TOTAL	**68,986,385**			**0.94%**

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

No person holds more than five per centum (5%) of AboitizPower'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 AboitizPower during the period covered by this report.

Item 5. Directors and Executive Officers

(a) (1) Directors for 2010-2011

Below is a list of AboitizPower's directors for 2010-2011 with their corresponding positions and offices held for the past five years. The directors assumed their directorship during AboitizPower's annual stockholders' meeting in 2010 for a term of one year.

ENRIQUE M. ABOITIZ, JR. Chairman of the Board of Directors	Mr. Aboitiz, 57 years old, Filipino, has served as Director and Chairman of the Board of Directors of AboitizPower since 2009. He also served as Director of AEV since 1994 and was recently appointed as Senior Vice-President of AEV. He is also the Chairman of the Board of Directors of Aboitiz Land, Inc.; Director of AP Renewables, Inc., Manila-Oslo Renewable Enterprise, Inc., and Therma Luzon Inc. He was President and Chief Executive Officer of Aboitiz Transport System (ATSC) Corporation before it was sold to Negros Navigation Co., Inc. (NENACO) in December 2010. Mr. Aboitiz graduated with a degree in 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	Mr. Aboitiz, Filipino, 62 years old, has been a Director of AboitizPower since 1998 and served as Chairman of the Board of AboitizPower for 1998 to 2008. Mr. Aboitiz began his career with the Aboitiz Group in 1970. From a manager of the Aboitiz Shipping Corporation, Mr. Aboitiz was promoted to President of the company in 1976 and became President of Aboitiz & Company, Inc. in 1991 until 2008. He is currently the Chairman of the Boards of ACO, AEV, Aboitiz Transport Systems (ATSC) Corporation, Inc. and Aboitiz Jebsen Bulk Transport Corp.; Director of City Savings Bank, Inc. and International Container Terminals Services, Inc. (ICTSI). Mr. Aboitiz is also the Vice-Chairman of the Board of Directors of Union Bank of the Philippines, and the Chairman of the bank's Executive Committee, Risk Management Committee, and Corporate Governance Committee, including the latter's Compensation and Remuneration and Nomination Sub-Committees. Mr. Aboitiz is also the President of the Aboitiz Foundation, Inc.; Trustee and Vice President of Ramon Aboitiz Foundation, Inc.; Trustee of The Santa Clara University, California and the Philippine Business for Social Progress Foundation; and member of the board of advisors for the Association of Foundations, and Coca-Cola Export Corporation (Philippines). Mr. Aboitiz holds a B.S. Commerce degree (Major in Management) from the University of Santa Clara, California.
ERRAMON I. ABOITIZ President & Chief Executive Officer; Member – Board Corporate Governance Committee, Board Risk Management Committee	Mr. Aboitiz, 54 years old, Filipino, has served as President and Chief Executive Officer of AboitizPower since 1998. He is also the President and Chief Executive Officer of AEV. He has been AEV's Director since 1994 and was its Executive Vice President and Chief Operating Officer from 1994 to December 2008. He is also President and Chief Executive Officer of ACO; Chairman of the Board of Directors of City Savings Bank, Inc., Davao Light & Power Company, Inc., San Fernando Electric Light and Power Company, Inc., Cotabato Light & Power Company, Subic Enerzone Corporation, SN Aboitiz Power-Magat, Inc. and SN Aboitiz Power-Benguet, Inc., Aboitiz Renewables, Inc., Therma Marine, Inc., Therma Power, Inc., Aboitiz Energy Solutions, Inc.; Vice Chairman of Visayan Electric Company, Inc.; Director of Union Bank of the Philippines, STEAG State Power, Inc. and Pilmico Foods Corporation. He is also the Chairman of the Aboitiz Foundation, Inc., and a director of the

	Family Business Development Center (Ateneo de Manila University). He received a Bachelor of Science degree in Business Administration (Major in Accounting and Finance) from Gonzaga University, Spokane, U.S.A.
MIKEL A. ABOITIZ Director; Chairman – Board Corporate Governance Committee; Member- Board Audit Committee	Mr. Aboitiz, Filipino, 56 years old, has been a Director of AboitizPower since 1998. He is also a 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 City Savings Bank, Inc.; Director of Visayan Electric Company, Inc., Cotabato Light and Power Company, Davao Light and Power Company, Inc., Aboitiz Land, 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 Luzon, Inc., and Trustee and Treasurer of Ramon Aboitiz Foundation, Inc. He holds a degree in Bachelor of Science (Major in Business Administration) from Gonzaga University, Spokane, U.S.A.
JAIME JOSE Y. ABOITIZ Director; Member-Board Audit Committee; Executive Vice President & Chief Operating Officer – Power Distribution Group	Mr. Aboitiz, Filipino, 49 years old, was a Director of AboitizPower from 2004 to April 2007. He was again elected as Director of AboitizPower in 2009. He is also the Executive Vice President and Chief Operating Officer of Visayan Electric Company Inc.; President and Chief Executive Officer of Cotabato Light & Power Company, Inc., Subic Enerzone Corporation, Davao Light & Power Company, Inc.; President of Mactan Enerzone Corporation, and Balamban Enerzone Corporation; Director of Aboitiz Renewables, Inc., Hedcor Sibulan, Inc., Cebu Private Power Corporation, San Fernando Electric Light and Power Company, Inc., 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, 54 years old, Filipino, has served as Director of AboitizPower since 1999. He has been a director of AEV since May 2009. He is also Chairman of the Board of Directors of AP Renewables, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, and East Asia Utilities Corporation; Chairman and Chief Executive Officer of Hedcor, Inc. and Hedcor Sibulan, Inc.; Vice-Chairman of Propriedad Del Norte, Inc. and Aboitiz Land, Inc. He is likewise a Director and Senior Vice President of ACO; President and Chief Executive Officer of Abovant Holdings, Inc. and Aboitiz Renewables, Inc.; President of Manila-Oslo Renewable Enterprise; and Director of SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-Magat, Inc., Therma Marine, Inc., Therma Power, Inc., Luzon Hydro Corporation, Southern Philippines Power Corporation, STEAG State Power, Inc., Therma Luzon, Inc., Western Mindanao Power Corporation, Metaphil International, Inc., and Cebu Private Power Corporation. He holds a degree in Business Management from Ateneo de Manila University.
JOSE R. FACUNDO Independent Director; Chairman- Board Audit Committee; Member – Board Corporate	Mr. Facundo, Filipino, 72 years old, has been an Independent Director of AboitizPower since 2008. He currently serves as a member of the Board of Directors of Security Bank Corporation, Siemens Philippines, Inc., and an Independent Director of Alaska Milk Corp. Mr. Facundo has an extensive career in banking. He

Governance Committee, Board Risk Management Committee	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 AB Engineering and took post graduate studies in Statistics and Engineering.
ROMEO L. BERNARDO Independent Director; Member – Board Audit Committee, Board Corporate Governance Committee	Mr. Bernardo, Filipino, 56 years old, has been an Independent Director of AboitizPower since 2008. He is the Managing Director 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 Family of Funds and Philippine Stock Index Fund. He is likewise a Director of several companies and organizations including Globe Telecom, BPI, RFM Corporation, Philippine Investment Management, Inc., Philippine Institute for Development Studies (PIDS), BPI-Philam Life Assurance Corporation (formerly known as Ayala Life Assurance, Inc.), National Reinsurance Corporation of the Philippines and Institute for Development and Econometric Analysis. He previously served as Undersecretary of Finance and as Alternate 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; Member – Board Audit Committee, Board Corporate Governance Committee, Board Risk Management Committee	Mr. Disch, a Swiss national, 56 years old, has been an Independent Director of AboitizPower since March 2010. He is the Chairman, Chief Executive Officer and Founder of Convergence GmbH, an energy and environmental consulting 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 Member of the Top Management Council of ABB and President of ABB Enertech Ltd. with Global Responsibility; Executive Vice-President 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, Switzerland.

Nominations for Independent Directors and Procedure for Nomination

The procedure for the nomination and election of the independent directors is in accordance with Rule 38 of the Securities Regulation Code (SRC Rule 38), AboitizPower's Amended By-Laws and AboitizPower'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 AboitizPower Board.

Nominations for independent directors were accepted starting January 1, 2011 as provided for in Section 2 of the Guidelines and the table for nominations was closed on February 15, 2011 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, 2011 so that such List will be included in the Corporation's Preliminary and Definitive Information Statements. Only nominees whose names appear on the Final List are eligible for election as independent directors. No other nominations are 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 have been 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 AboitizPower'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 AboitizPower. They are neither officers nor employees of AboitizPower or its affiliates, and do not have any relationship with AboitizPower which would interfere with the exercise of independent judgment in carrying out the responsibilities of an independent director.

AboitizPower stockholders Joy Ann Bisnar, Mary Jean Magluyan and Gina Unabia have respectively nominated Messrs. Facundo, Bernardo and Disch as AboitizPower's independent directors. None of the nominating stockholders 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 (2011-2012):

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 AboitizPower, 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 16, 2011 or not later than April 25, 2011.

All other information regarding the positions and offices by the abovementioned nominees are integrated in Item 5 (a)(1) hereof.

Officers for 2010-2011

Below is a list of AboitizPower's officers for 2010-2011 with their corresponding positions and offices held for the past five years. The officers assumed their positions during AboitizPower's annual organizational meeting in 2010 for a term of one year.

ERRAMON I. ABOITIZ President & Chief Executive Officer; Member – Board Corporate Governance Committee, Board Risk Management Committee	Mr. Aboitiz, 54 years old, Filipino, has served as President and Chief Executive Officer of AboitizPower since 1998. He is also the President and Chief Executive Officer of AEV. He has been AEV's Director since 1994 and was its Executive Vice President and Chief Operating Officer from 1994 to December 2008. He is also President and Chief Executive Officer of ACO; Chairman of the Board of Directors of City Savings Bank, Inc., Davao Light & Power Company, Inc., San Fernando Electric Light and Power Company, Inc., Cotabato Light & Power Company, Subic Enerzone Corporation, SN Aboitiz Power-Magat, Inc. and SN Aboitiz Power-Benguet, Inc., Aboitiz Renewables, Inc., Therma Marine, Inc., Therma Power, Inc., Aboitiz Energy Solutions, Inc.; Vice Chairman of Visayan Electric Company, Inc.; Director of Union Bank of the Philippines, STEAG State Power, Inc. and Pilmico Foods Corporation. He is also the Chairman of the Aboitiz Foundation, Inc., and a director of the Family Business Development Center (Ateneo de Manila University). He received a Bachelor of Science degree in Business Administration (Major in Accounting and Finance) from Gonzaga University, Spokane, U.S.A.
ANTONIO R. MORAZA Director; Executive Vice President & Chief Operating Officer - Power Generation Group; Chairman – Board Risk Management Committee;	Mr. Moraza, 54 years old, Filipino, has served as Director of AboitizPower since 1999. He has been a director of AEV since May 2009. He is also Chairman of the Board of Directors of AP Renewables, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, and East Asia Utilities Corporation; Chairman and Chief Executive Officer of Hedcor, Inc. and Hedcor Sibulan, Inc.; Vice-Chairman of Propriedad Del Norte, Inc. and Aboitiz Land, Inc. He is likewise a Director and Senior Vice President of ACO; President and Chief Executive Officer of Abovant Holdings, Inc. and Aboitiz Renewables, Inc.; President of Manila-Oslo Renewable Enterprise; and Director of SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-Magat, Inc., Therma Marine, Inc., Therma Power, Inc., Luzon Hydro Corporation, Southern Philippines Power Corporation, STEAG State Power, Inc., Therma Luzon, Inc., Western Mindanao Power Corporation, Metaphil International, Inc., and Cebu Private Power Corporation. He holds a degree in Business Management from Ateneo de Manila University.
JAIME JOSE Y. ABOITIZ Director; Executive Vice President & Chief Operating Officer - Power Distribution Group; Member – Board Audit Committee	Mr. Aboitiz, Filipino, 49 years old, was a Director of AboitizPower from 2004 to April 2007. He was again elected as Director of AboitizPower in 2009. He is also the Executive Vice President and Chief Operating Officer of Visayan Electric Company Inc.; President and Chief Executive Officer of Cotabato Light & Power Company, Inc., Subic Enerzone Corporation, Davao Light & Power Company, Inc.; President of Mactan Enerzone Corporation, and Balamban Enerzone Corporation; Director of Aboitiz Renewables, Inc., Hedcor Sibulan, Inc., Cebu Private Power Corporation, San Fernando Electric Light and Power Company, Inc., 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.

JUAN ANTONIO E. BERNAD Executive Vice President – Strategy and Regulation	Mr. Bernad, Filipino, 54 years old, has been AboitizPower's Executive Vice President for Strategy and Regulation since 2009. He previously served AboitizPower in several capacities, as Director from 1998 until May 18, 2009, as Executive Vice President/Chief Financial Officer/Treasurer from 1998 to 2003 and as Executive Vice President for Regulatory Affairs/Chief Financial Officer from 2004 to 2007. He is also AEV's Senior Vice President, a position he has held since 1995. He was AEV's Senior Vice President – Electricity Regulatory Affairs from 2004 to 2007 and Senior Vice-President and Chief Financial Officer from 1995 to 2004. He is Executive Vice President-Regulatory Affairs of Davao Light & Power Company, Inc.; Director and the Senior Vice President of Visayan Electric Company, Inc.; Director of Cotabato Light & Power Company, AEV Aviation, Inc., AP Renewables Inc. and Union Bank of the Philippines; Director and Vice President of Cebu Praedia Development Corporation. 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. Luis Miguel O. Aboitiz, 46 years old, Filipino, has been AboitizPower Senior Vice President – Power Marketing and Trading since 2009. He is also AEV's First Vice President and a member of the Board of Advisers of ACO. He is currently the President and Chief Executive Officer of Aboitiz Energy Solutions, Inc.; Director and Senior Vice President – Business Development of Hedcor, Inc.; Director and Vice President-Treasurer of Aboitiz Renewables, Inc. and Therma Power, Inc.; Director and Vice President of Therma Marine, Inc.; Executive Vice President and Chief Operating Officer of Adventenergy, Inc.; Director and Treasurer of Redondo Peninsula Energy, Inc.; and Director of Davao Light & Power Company, Inc., Pilmico Animal Nutrition Corporation, Pilmico Foods Corporation, Manila-Oslo Renewable Enterprise, Inc., SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, Therma Luzon, Inc., AP Renewables, Inc., Hedcor Sibulan, Inc., and Subic Enerzone Corporation. He graduated at Santa Clara University, California, U.S.A. with a degree of Bachelor of Science in Computer Science and Engineering and took his Masters 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; Ex-Officio Member - Board Audit Committee; Ex-Officio Member – Board Risk Management Committee	Mr. Aboitiz, Filipino, 38 years old, has been AboitizPower's First Vice President and Chief Financial Officer since August 29, 2007. He is currently a Director and Chief Financial Officer of Abovant Holdings, Inc.; Chief Financial Officer and Treasurer of Hijos de F. Escaño; Director of Cotabato Light & Power Company, Southern Philippines Power Corporation, Therma Power, Inc., Therma Marine, Inc., Aboitiz Renewables, Inc. and Union Bank of the Philippines. He 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 Aboitiz Construction Group, 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, 54 years old, Filipino, has been Treasurer of AboitizPower since 2004 and its Senior Vice President – Treasurer since 2009. He is the Senior Vice President - Group Treasurer of AEV since January 2009. He joined AEV as Vice President for Treasury Services/Treasurer in 1998 and was promoted to First Vice President for Treasury Services/Treasurer of AEV in 2004. He is also

	the Vice President and Treasurer of Davao Light & Power Company, Inc. and Treasurer of Cotabato Light & Power Company. Mr. Mañalac graduated cum laude with a degree of Bachelor of Science in Finance and Bachelor of Arts in Economics from De La Salle University. 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, 69 years old, has been AboitizPower's First Vice President – Business Development since 2009. He 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 the 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 earned his Bachelor of Science in Engineering degree from the US Coast Guard Academy. He also earned a Naval Engineer's degree and a Masters of Science in Mechanical Engineering from the Massachusetts Institute of Technology.
MANUEL R. LOZANO First Vice President/Chief Financial Officer – Power Generation Group	Mr. Lozano, Filipino, 40 years old, has been Chief Financial Officer of the Power Generation Group of AboitizPower since 2009. He is concurrently Chief Financial Officer of AP Renewables, Inc., Hedcor, Inc. and Hedcor Sibulan, Inc. He is Treasurer of Therma Marine, Inc. and Therma Luzon, Inc. 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. He 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.
MANUEL M. ORIG First Vice President – Mindanao Affairs	Mr. Orig, Filipino, 69 years old, has been with the Aboitiz Group for over 40 years, most of it with AboitizPower's subsidiary Davao Light & Power Company. He was Executive Vice President of Davao Light & Power Company prior to his appointment in AboitizPower. He was instrumental in transforming Davao Light & Power Company into a professional and customer-oriented organization. In 2004, he was awarded the Don Ramon Aboitiz Award of Excellence, the highest recognition bestowed on Aboitiz Group team members and team leaders, for his outstanding contribution to the Aboitiz Group. He finished his bachelor's degree in Commerce from the University of San Jose Recoletos and had his Masters in Business Administration from the University of the Philippines.
MA. CHONA Y. TIU Vice President and Chief Financial Officer - Power Distribution Group	Ms. Tiu, Filipino, 53 years old, has been Vice-President and Chief Financial Officer for the Power Distribution Group since 2009. She 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 Aboitiz Construction Group, Inc. and Aboitiz Land, Inc. She joined the AboitizPower Group when she was appointed as Vice President – Administration and Chief Finance Officer of AboitizPower's affiliate, Visayan Electric Company, Inc. in 2007. She is also a Director, Vice President/Chief Financial Officer/

	Treasurer of Balamban Enerzone Corporation; Vice President – Chief Financial Officer of Cotabato Light & Power Company, Davao Light & Power Company, Subic Enerzone Corporation and Mactan Enerzone Corporation.
ALVIN S. ARCO Vice President- Regulatory Affairs	Mr. Arco, Filipino, 50 years old, has been Vice President for Regulatory Affairs of AboitizPower since April 2007. He was the Accounting Manager of AboitizPower from 1998 to 1999, Assistant Vice President – Finance from 2000 to 2004 and was promoted to Vice President – Finance in 2005. He is also the Vice President – Regulatory Affairs of Davao Light & Power Company, Inc. and Vice President – Finance of Cotabato Light & Power Company. Mr. Arco is a Certified Public Accountant. He holds a degree in Accountancy from the University of San Jose-Recoletos, Cebu City.
WILFREDO R. BACAREZA, JR. Vice President – Project Development	Mr. Bacareza, Filipino, 33 years old, has been Vice President of AboitizPower since 2008. Since joining AboitizPower, he has handled or been involved in numerous projects like the 300MW coal fired power plant project in Subic Bay, Philippines, acquisition of two 100MW power barges located in Mindanao and the 700MW IPPA contract for the Pagbilao coal plant. He was formerly the President and Chief Executive Officer of the Philippine National Oil Company-Development Management Corporation (PNOC-DMC) from 2006 to 2007. In 2005, he served as legal adviser of the Philippine National Construction Corporation (PNCC) and Metropolitan Waterworks and Sewerage System (MWSS). He 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 holds a degree in Interdisciplinary Studies minor In Management and Economics from the Ateneo de Manila University and 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, 43 years old, has been Vice President for Engineering - Power Distribution Group of AboitizPower since 2009. He joined the Aboitiz Group in 1990 via Davao Light & Power Company, Inc. He became Vice President for Engineering of Davao Light in 2000. He was involved in the successful bid by AEV for the management of Subic Bay Metropolitan Authority's (SBMA) distribution system in the Subic Bay Freeport Zone (SBFZ) in 2003. He was promoted to Senior Vice President of Davao Light & Power Company, Inc., in 2004. In the same year, he was brought into Visayan Electric Company, Inc., to help transform its engineering group. He was officially transferred to Visayan Electric Company, Inc. in 2008. He is a graduate of Bachelor of Science in Electrical Engineering and Bachelor of Science in Electronics and Communications Engineering from the University of San Jose-Recoletos.
ANASTACIO D. CUBOS, JR. Vice President - Special Projects	Mr. Cubos, Filipino, 60 years old, has been Vice President for Special Projects of AboitizPower since 1998. Mr. Cubos' experience in the power industry dates back to 1972 when he joined Davao Light & Power Company, Inc., as an engineer. Between 1989 and 1997, he was Assistant Vice President – Engineering of Davao Light & Power Company, Inc. He was also Davao Light& Power Company, Inc. Vice President – Engineering from 1998 to 2000 and Davao Light Senior Vice President – Special Projects since 2001. He is a Consultant of

	Hedcor and is a member of the Technical Executive Committee of Cotabato Light . He is a consultant to the Republic of Palau for its generation projects. 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.
THOMAS J. SLIMAN, JR. Vice President – Business Development	Mr. Sliman, 50, American, has extensive experience in the power industry, both in the Philippines and in the US. After working for 20 years in the US for the Southern Company in various operations and maintenance roles in thermal power plants, he relocated to the Philippines to work with Mirant Philippines, and was initially assigned at the Pagbilao and Sual plants as plant manager. He was the EVP - Operations for Mirant Philippines until its sale in 2007. He previously worked with AboitizPower in 2009 as a Consultant during AboitizPower's submission of bid proposals to be the IPP Administrator of the Pagbilao and Sual Coal Fired Power Plants. He earned his degree in BS Electrical Engineering from Mississippi State University in 1983. He had completed approximately 75% of the required coursework for a Masters of Business Administration degree from the University of Southern Mississippi, Long Beach, Mississippi.
ROLAND U. GAERLAN Vice President - Marketing	Mr. Gaerlan, Filipino, 48 years old, has over 28 years of extensive experience in sales and marketing in consumer goods, telecom and financial plan industries. He was Vice President - Business Development of Advanced Contact Solutions before he joined AboitizPower. He is a member of various professional organizations such as the British and the American Chambers of Commerce. Mr. Gaerlan is a graduate of Bachelor of Science in Industrial Engineering from the University of the Philippines and obtained his Masters Degree in Business Administration from the Ateneo de Manila University.
BIENAMER D. GARCIA Vice President – Distribution Customer Services	Mr. Garcia, Filipino, 52 years old, joined the Aboitiz Group in 2002 as an Assistant to the Chief Operating Officer and Senior Vice President of Davao Light & Power Company, Inc. In 2004, he was brought to Visayan Electric Company, Inc. to help transform its customer services group. He then became the Vice President Administration and Customer Services Group of Visayan Electric Company, Inc. from 2004 to 2006. He was the Vice President for Retail Services and Administration of Davao Light & Power Company, Inc. prior to his appointment in AboitizPower. Mr. Garcia is a registered Metallurgical Engineer. He earned his masters degree in Business Administration and diploma in Urban and Regional Planning from the University of the Philippines-Diliman.
CRISTINA BRIONES- BELORIA Assistant Vice President-Controller	Ms. Beloria, Filipino, 48 years old, has been Assistant Vice President and Controller of AboitizPower since 2008. She was the Plant Controller of East Asia Utilities Corporation and Cebu Private Power Corporation 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 is a Certified Public Accountant in the Philippines and Illinois, USA.
PAQUITA S. TIGUE- RAFOLS Assistant Vice President for Accounting – Power Generation (Mindanao)	Ms. Rafols, Filipino, 46 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 AboitizPower. 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 – Power Generation (Luzon)	Ms. Malapad, Filipino, 42 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 – Power Distribution Group	Mr. Payot, Filipino, 46 years old, a CPA, was appointed Assistant Vice President – Controller for AboitizPower Distribution in July 2009. Prior to his appointment he served in various positions in the Aboitiz Group. He was Assistant Vice President for Accounting of Visayan Electric Company, Inc., AVP – Accounting Services of AEV, and Audit Manager of ACO. He worked with SGV & Co. after graduating from University of San Carlos where he got his Bachelor's degree in Commerce major in Accounting (Cum Laude).
CLOVIS B. RACHO Assistant Vice President for Procurement and Logistics – Power Distribution Group	Mr. Racho, Filipino, 46 years old, has been Assistant Vice President for Procurement and Logistics – AboitizPower Distribution Group since 2009. He joined the Aboitiz Group in 1989 as an Assistant Systems Analyst of Davao Light & Power Company, Inc., where he subsequently held various positions until his promotion as Department Manager of Technical Services Department in 2000. He was promoted as Assistant Vice President for Procurement and Logistics of Davao Light & Power Company, Inc. in 2004. He is currently the Assistant Vice President for Technical Services of Davao Light & Power Company, Inc. He is a graduate of Bachelor of Science in Industrial Engineering and Bachelor of Science in Mechanical Engineering from Cebu Institute of Technology. He is a Registered Mechanical Engineer.
ALADINO BORJA JR. Assistant Vice President for Information Services-Power Distribution Group	Mr. Borja, Filipino, 47 years old started his career with the Aboitiz Group when he was hired as Computer Programmer of Davao Computer Services, Inc., an affiliate of Davao Light & Power Company, Inc., in 1997. He later joined Davao Light & Power Company, Inc. in 1990 as Junior Programmer where he rose from the ranks, becoming Head of Information Service Group in 2000. He was later assigned to Visayan Electric Company, Inc. as Assistant Vice President for Information Service Group in 2004. He graduated from Cebu Institute of Technology.
RONALD ENRICO V. ABAD	Mr. Abad, Filipino, 40 years old, was Manager of Team Energy

Assistant Vice President – Project Development	Corporation prior to joining AboitizPower. 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 for HRQ – Power Generation Group	Ms. Ma. Kristina V. Rivera, 40 years old, Filipino, has been Assistant Vice President for Human Resources of AEV seconded to AboitizPower since January 2009. She has 17 years experience in human resources management with a diverse background in human resource strategic planning, implementation and administration. Before joining the Aboitiz Group in 2003, she was with the PNOC-Energy Development Corporation. She holds Bachelor of Science and Masters degrees in Psychology from the University of the Philippines.
ROBERTO V. OROZCO Assistant Vice-President for Civil Site Construction	Mr. Orozco, Filipino, 46 years old, joined AboitizPower on January 2011 as Assistant Vice President for Civil Site Construction. Prior to joining AboitizPower, he was a Senior Civil and Structural Engineer of PacificTech Solutions and a Technical Operations Manager of the Philippine Branch of Ove Arup & Partners Hong Kong Ltd. Mr. Orozco is a member of the Philippine Institute of Civil Engineers and the American Institute of Steel Construction. He is a graduate of Bachelor of Science in Civil Engineering from Far Eastern University and obtained his Masters Degree in Geotechnical Engineering from Mapua Institute of Technology.
ANA LIZA M. ALETA Assistant Vice President & IT Director – Power Generation	Ms. Aleta, Filipino, 42 years old, has been Assistant Vice President – IT Director of the Generation Group of AboitizPower since 2009. She joined the Aboitiz Group in 1989 as a marketing assistant of ACO. She rose from the ranks and held various positions relating to information technology in Pilmico Foods Corporation. She was Assistant Vice President – Information Technology of AP Renewables, Inc., before she joined AboitizPower. She has 21 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 degree in Master in Management from the University of the Philippines.
CRISANTO R. LASET, JR. Assistant Vice President for Power Economics & Distribution System Planning	Mr. Laset, Filipino, 52 years old, was Assistant Vice President – Technical Assistant to the Chairman of Cagayan Electric Power & Light Company, Inc., before he joined AboitizPower. He was also previously 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, 39 years old, joined AboitizPower in 2007 and has been Assistant Vice President for Power Marketing since 2010. He was the Assistant Vice President for Power Sales and Marketing of AP Renewables, Inc. prior to his appointment in AboitizPower. He earned his degree in AB Management Economics from the Ateneo de Manila University and had his Master 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, 54 years old has been AboitizPower's Assistant Vice President for Government Relations since February 2009. Prior to her stint in AboitizPower, she was Assistant Vice President for Government Relations of Aboitiz Transport System (ATSC) Corporation 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, 39 years old, has been AboitizPower's Assistant Vice President for Investor Relations since 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 AboitizPower. 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 AboitizPower, 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, 44 years old, has been Assistant Vice President for Legal and Regulatory Affairs of AboitizPower since 2009. She was Senior Associate General Counsel of AEV before she moved to AboitizPower in May 2007. Prior to joining the Aboitiz Group, she served as Corporate Legal Manager of the regional headquarters of e-Room Corporation and Associate Legal Officer at 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. She finished her bachelor's degree in Business Administration from the University of the Philippines, and 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.
DENNIS DE LA SERNA Assistant Vice President for Regulatory Affairs	Mr. de la Serna, Filipino, 37 years old, was the Contracts Manager for Aboitiz Energy Solutions, Inc. before joining AboitizPower. He was also Department Manager of the Universal Levy, Tariff and Financial Valuation Department of the Power Sector Assets and Liabilities Management Corporation (PSALM). He earned his degree in Bachelor of Arts in Management Economics from Ateneo de Manila

	University, and obtained his MBA from Fordham University.
NESTOR F. ALIMAN Assistant Vice President for Business Development	Mr. Aliman, Filipino, 58 years old, was the Head of Electricity Trading of SN Aboitiz Power Inc. He was also the Electricity Trading Manager of PSALM. He earned his degree in Mechanical Engineering from the University of San Carlos with a specialized training in Energy Derivatives and Risk Management. He completed his graduate studies in Industrial Engineering and Operations Research from the University of the Philippines.
MARIA GARCIA Assistant Vice President for Trading	Ms. Garcia, Filipino, 55 years old, was the Trading Manager of Emerald Energy Corporation, a subsidiary company of GDF-Suez in the Philippines. She was also the Electricity Trading Manager of PSALM. She earned her degree in Bachelor of Science in Electrical Engineering from the Nueva Ecija University of Science and Technology. She has a Masters Degree in Engineering Major in Systems Management from the *Pamantasan ng Lungsod ng Maynila*.
KATRINA MICHAELA D. CALLEJA Assistant Vice President for Branding	Ms. Calleja, Filipino, 33 years old, joined the Aboitiz Group in 2001, where she was Superferry's Marketing Executive for four years. She served as Retail Sales and Brand Manager of 2GO Express from 2005 to 2009. Before her current post, she was AboitizPower's Brand Manager until 2010. Ms. Calleja graduated from Ateneo de Manila University, with a Bachelor of Arts degree, Major in Economics.
MA. CIELITA ANIGA Assistant Vice President Distribution Human Resource	Ms. Aniga, 54 years old, Filipino, joined the Aboitiz Group in 1993 as Total Quality Management Coordinator of Davao Light & Power Company, Inc. In 1994 she was named Department Manager for Quality and Human Resource Development and was eventually promoted as Asst. Vice-President, a position she held until 2000. She rejoined the Aboitiz Group in 2004 as part of the management team that was tasked to manage and transform Visayan Electric Company, Inc. She was Asst. Vice-President for Human Resources of Visayan Electric Company, Inc. prior to her appointment in Aboitiz Power. Ms. Aniga holds Bachelor of Science degrees in Chemical Engineering from the University of Mindanao, and Metallurgical Engineering from a consortium between the University of the Philippines and the Mindanao State University. She also has a Masters degree in Management major in Industrial Relations from the University of the Philippines.
M. JASMINE S. OPORTO Corporate Secretary/ Compliance Officer Ex-Officio Member - Board Corporate Governance Committee	Ms. Oporto, Filipino, 51 years old, has been the Corporate Secretary of AboitizPower since 2007. She is also First Vice President-Chief Legal Officer, Corporate Secretary and Chief Compliance Officer of AEV. She is also Vice President for Legal Affairs of Davao Light & Power Company, Inc.; Corporate Secretary of Visayan Electric Company, Inc., Luzon Hydro Corporation, Therma Power, Inc., Hijos de F. Escano and Cebu Private Power Corporation. Prior to joining AboitizPower, 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	Mr. Gonzales, Filipino, 44 years old, has been the Assistant Corporate Secretary of AboitizPower since 2007. He is also Vice

Assistant Corporate Secretary	President for Legal and Corporate Services of AEV and Corporate Secretary of AP Renewables, Inc. He was previously Special Counsel of SyCip Salazar Hernandez & Gatmaitan Law Offices until he joined the Aboitiz Group in 2007 as Assistant Vice President of the Corporate and Legal Services of ACO. He is a graduate of Bachelor of Arts in Major 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 AboitizPower, 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 is removed prior to such election.

The directors, who must be stockholders of AboitizPower, 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 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

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

(4) Involvement in Certain Legal Proceedings as of February 28, 2011

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.

Upon motion by Mr. Aboitiz, the MTC reconsidered its order finding probable cause against him. The

MTC also directed the Office of the City Prosecutor of Makati to conduct a preliminary investigation against Mr. Aboitiz.

In the preliminary investigation, Mr. Aboitiz alleged that he should be exonerated from the charges filed against him as he was no longer a director of Fuller O'Brien when the alleged violations of the Pag-Ibig Fund Law occurred.

The case is still pending resolution before the Office of the City Prosecutor of Makati.

To the knowledge and/or information of AboitizPower, 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 AboitizPower and its stockholders.

To the knowledge and/or information of AboitizPower, 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

AboitizPower 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, for corporate center services, such as human resources, internal audit, legal, IT, treasury and corporate finance, among others. These services are obtained from AEV to enable the Group to realize cost synergies. AEV maintains a pool of highly qualified professionals with business expertise specific to the businesses of the 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 AboitizPower's subsidiaries and associates namely, Davao Light & Power Company, Inc., Cotabato Light & Power Company, Balamban Enerzone Corporation, and Hedcor, Inc., for working capital requirements. These are made to enhance AboitizPower's yield on its cash balances. Interest rates are determined by comparing prevailing market rates at the time of the transaction.

AboitizPower and certain subsidiaries and associates are leasing office spaces from Cebu Praedia Development Corporation, 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, 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.

AboitizPower 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

AboitizPower's parent company is AEV. As of February 28, 2011, AEV owns 76.40% of AboitizPower. In turn, Aboitiz & Company, Inc. (ACO) owns, as of February 28, 2011, 49.54% 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 AboitizPower's last annual meeting because of a disagreement with AboitizPower 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 AboitizPower'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:

EXECUTIVE OFFICERS	PERIOD	SALARY	BONUS	OTHER COMPENSATION
TOP FIVE HIGHLY-COMPENSATED EXECUTIVES: 1. ERRAMON I. ABOITIZ -President & Chief Executive Officer 2. MIKEL A. ABOITIZ - Director 3. JUAN ANTONIO E. BERNAD - EVP - Strategy and Regulation 4. JAIME JOSE Y. ABOITIZ - Director/ EVP & COO-Power Distribution Group 5. RAYMOND E. CUNNINGHAM - FVP – Business Development				
All above named officers as a group	Actual 2010			
	Actual 2009	₱ 18,670,000	₱ 860,000	₱ 6,470,000
	Projected 2011			
All other directors and officers as a group unnamed	Actual 2010			
	Actual 2009	₱ 18,950,000	₱ 1,400,000	₱ 10,000,000
	Projected 2011			

(2) **Compensation of Directors**

(i) **Standard Arrangements**

In 2010 all of AboitizPower'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	₱60,000	₱90,000

Type of Meeting	Committee Members	Chairman of the Committee
Committee Meeting	₱50,000	₱60,000

For 2011 it is proposed that all of AboitizPower's directors shall receive a monthly allowance of ₱100,000, except for the Chairman of the Board who shall receive a monthly allowance of ₱150,000. 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	₱100,000	₱150,000

Type of Meeting	Committee Members	Chairman of the Committee
Committee Meeting	₱80,000	₱100,000

The proposed monthly allowance and per diem of the AboitizPower directors for 2011 will be submitted for the approval of the stockholders during the 2011 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 AboitizPower and any executive in case of resignation or any other termination of employment or from a change in the management control of AboitizPower.

(4) **Warrants and Options Outstanding**

To date, AboitizPower 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 AboitizPower's Independent Public Accountant for the last 12 years. Mr. J. Carlitos G. Cruz served as audit partner of AboitizPower since 2009. He replaced Mr. Ladislao Z. Avila Jr. who served as audit partner for five years from 2004 to 2008. AboitizPower 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 12 years where AboitizPower 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.

For the 2011 Annual Stockholders Meeting, a proposal to delegate to the Board of Directors and/or the Board Audit Committee the authority to appoint the Company's external auditors for 2011 will be submitted for the approval of the shareholders. The proposal is intended to give the Audit Committee sufficient time to evaluate different auditing firms who may act as AboitizPower's external auditor for 2011.

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 2010 Annual Meeting of Stockholders dated May 17, 2010 (summary of the Minutes attached herewith as Annex "B").
2. Approval of the Annual Report of Management for the year ending December 31, 2010.

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 AboitizPower, 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 AboitizPower stockholders.

A summary of board resolutions approved during the period March 2010 to March 2011 is provided as follows:

Regular Board Meeting, March 10, 2010

1. Cash Dividend Declaration
2. Setting of Record Date for the 2010 Annual Stockholders' Meeting
3. Approval of the Proposed Directors' Compensation and Per Diem for 2010
4. Authority of the Company to guarantee the obligations of certain subsidiaries and affiliates with the following banks up to the extent of the ownership interest of the Company in such subsidiaries and affiliates:

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

5. Authority to avail itself of the institutional products of the following banks:
    a. China Banking Corporation
    b. Metropolitan Bank and Trust Company
    c. Philippine National Bank
    d. Security Bank Corporation

6. Authority of the Company to act as surety to Therma Luzon, Inc., Aboitiz Renewables, Inc. , and AP Renewables, Inc., in the availment of credit facilities with Banco De Oro
7. Authority of the Company to purchase coal carrier or vessel to support the Pagbilao IPPA commitments
8. Authority of the Company's Stock and Transfer Agent, Securities and Transfer Services, Inc. (STSI), to issue uncertificated shares and to enter into an agreement with Pastra.Net on the use of and linkage with the Electronic Direct Registration (EDR) System
9. Authority of the officers of the Company to transact with the Philippine Depository and Trust Corporation (PDTC)
10. Authority of Luis Miguel O. Aboitiz and Raymond Edwin Cunningham to sign the application for tax clearance on behalf of AboitizPower for the Subic Power Plant Privatization Bidding
11. Authority of the Company to participate in the bidding for the lease, operation and maintenance of the Subic Diesel Power Plant located in Subic Bay Power Plant Compound in Subic, Olongapo City
12. Authority of the Company to renew the Direct Internet Access System Account with Globe DSL Pro
13. Authority of the Company to guarantee Olongapo Energy Corporation's availment of credit facilities with Metropolitan Bank and Trust Company

Special Board Meeting, March 31, 2010

1. Approval of 2009 Audited Financial Statements

Regular Board Meeting, May 17, 2010

1. Approval of the amendment of the Company's Amended Manual on Corporate Governance
2. Authority of Company's officers to act as signatories for all bonds obtained from the Government Services Insurance System (GSIS), indemnity agreements and other papers in connection with the company's bidding for the Subic Diesel Power Plant
3. Authority of the Company to enter into a management contract with Cotabato Ice Plant, Inc.

Regular Board Meeting, July 14, 2010

1. Appointment of Mr. Manuel "Bobby" Orig as First Vice President – Mindanao Affairs of the Company
2. Authority of the Board Audit Committee to select and appoint the Company's external auditors for the year 2010
3. Authority of the Company to extend temporary advances to:

    a. Davao Light & Power Company, Inc.
    b. Cotabato Light & Power Company
    c. Balamban Enerzone Corporation

4. Authority of the Company to extend interest free stockholders' advances to Aboitiz Renewables, Inc.
5. Authority of the Company to ratify deposits for future subscription extended to Aboitiz Renewables, Inc.
6. Ratification of the authority of the Company to extend interest free stockholders' advances to Aboitiz Renewables, Inc.
7. Ratification of the authority of the Company to extend interest-free stockholders' advances to Therma Power, Inc. in the amounts of:

    a. ₱1.394 billion; and
    b. ₱3.1 bn

8. Authority of the Company to avail credit facilities with Development Bank of the Philippines
9. Authority of Mr. Jon Ramon Aboitiz as additional signatory for the Company's bank accounts maintained with:

    a. Banco de Oro Unibank, Inc.
    b. Bank of the Philippine Islands
    c. China Banking Corporation
    d. Chinatrust (Philippines) Commercial Bank Corporation
    e. Metropolitan Bank and Trust Company
    f. Philippine National Bank
    g. Security Bank Corporation
    h. Union Bank of the Philippines

10. Authority of the Company to support the refinancing of STEAG State Power, Inc.
11. Authority of Mr. Luis Miguel Aboitiz as authorized signatory for Power Marketing and Trading Group of the Company
12. Authority of Mr. Manuel Gatmaitan to sign off on letters of authority for hotel bookings and car rentals within the limits of authority assigned to him
13. Authority of Ms. Maria P. Garcia to sign off on letters of authority for hotel bookings and car rentals within the limits of authority assigned to her
14. General authority of the Company to purchase or acquire motor vehicles and its authorized signatories
15. General authority of the Company to sell or dispose motor vehicles and its authorized signatories
16. Authority of the Company to implement the 2x150MW Redondo Peninsula Energy, Inc. Coal Fired Power Plant

17. Authority of the Corporate Secretary to execute routinary Deeds of Trust and Assignment for nominee shares
18. Authority of Mr. Iker M. Aboitiz to sign the Special Power of Attorney relative to the request for Bureau of Internal Revenue (BIR) ruling re VAT Zero-Rating under the RE Law

Regular Board Meeting, September 15, 2010

1. Authority of the Company to avail of credit facilities from Banco de Oro Unibank, Inc. (BDO)
2. Authority of the Company to act as surety of AP Renewables, Inc., Therma Luzon, Inc., Aboitiz Renewables, Inc., Balamban Enerzone Corporation, Cotabato Light & Power Company, Davao Light & Power Company, Inc., Hedcor, Inc., Mactan Enerzone Corporation, and Subic Enerzone Corporation for the availment of credit facilities with BDO
3. Authority of the Company to extend temporary advances to Hedcor, Inc. in the amount of ₱200 million
4. Authority of the Company to ratify the peso stockholders' advances extended to Therma Power, Inc. relative to the capital call made by Redondo Peninsula Energy, Inc. in the amount of $3 mn or ₱136.2 mn
5. Authority of the Company to guarantee the obligations of Redondo Peninsula Energy, Inc. with:

    a. Australia and New Zealand Banking Group Limited
    b. The Bank of Tokyo-Mitsubishi UFJ, Ltd. – Manila Branch
    c. Chinatrust (Philippines) Commercial Bank Corporation
    d. Citibank N.A.
    e. Credit Agricole Corporate & Investment Bank Manila Offshore Branch
    f. Deutsche Bank AG
    g. The Hongkong and Shanghai Banking Corporation Limited
    h. ING Bank N.V., Manila Branch
    i. Standard Chartered Bank
    j. Mizuho Corporate Bank, Ltd.
    k. Banco de Oro Unibank, Inc.
    l. Bank of the Philippine Islands
    m. Metropolitan Bank and Trust Company
6. Authority of the Company to avail of credit facilities with:
    a. Land Bank of the Philippines
    b. China Banking Corporation and its Trust Department
7. Authority of the Company to extend peso stockholders' advances to Therma Power, Inc. in the amount of ₱490 mn for capitalization for Therma Luzon, Inc.
8. Authority of Ms. Cristina B. Beloria to transact with or open accounts with the Philippine Long Distance Telephone Company
9. Authority for amendment of Trust Agreement for 5-Year bonds

Regular Board Meeting, November 12, 2010

1. Approval of the Company's Amended Internal Audit Charter
2. Amendment of the Company's Amended By-laws
3. Appointment of Mr. Jakob Disch as member of the Board Corporate Governance and Board Audit Committees
4. Authority of the Company to transact with the following banks for Special Deposit Account:
    a. Philippine National Bank and its Trust Department
    b. Standard Chartered Bank and its Trust Department
    c. Security Bank Corporation and its Trust Department
5. Authority of the Company to enter into a licensing agreement with Cleanergy, Inc.
6. Authority of the Company to extend stockholders' advances to Therma Power, Inc. to fund Therma Power, Inc.'s 50% share in the progress payments due and payable to Formosa Heavy Industries, Inc. under a Letter of Agreement upon the shipment of the first Fuji steam turbine generator unit
7. Authority of the Company's President and CEO to negotiate and enter into a Lease (with Option to Purchase) of the project site for the Davao Coal-fired Project

8. Authority of officers and representatives of the Company to transact with the Philippine Dealing and Exchange Corporation (PDEx) in relation to disclosures and other continuing listing requirements of the 3-year and 5-year bonds of the Company

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 AboitizPower states that a quorum for any meeting of stockholders shall consist of the majority of the outstanding capital stock of AboitizPower, 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.

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

In the election of directors, the top nine 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 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 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, who shall serve as members of the Election Committee.

Other than the nominees' election as directors and the proposed 2011 directors' compensation and per diem, 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 up during the meeting. AboitizPower 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 18 MAR 2011.

ABOITIZ POWER CORPORATION
By:

M. JASMINE S. OPORTO
Corporate Secretary

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

Incorporated in 1998, AboitizPower is a publicly listed holding company that, through its subsidiaries and affiliates, is a leader in the Philippine power industry and has interests in a number of privately-owned generation companies and distribution utilities. AEV owns 76.4% of the outstanding capital stock of AboitizPower as of February 28, 2011.

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 & Power Company (CotabatoLight). In July 1946, the Aboitiz Group strengthened its position in power distribution in the Southern Philippines when it acquired Davao Light & Power Company, Inc. (DavaoLight), 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 CotabatoLight, DavaoLight 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.) on 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.

AboitizPower 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, AboitizPower was repositioned in the third quarter of 2003 as a holding company that owned power generation assets only. The divestment by AboitizPower of its power distribution assets was achieved through a property dividend declaration in the form of AboitizPower'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 AboitizPower 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.

In December 2006, the Company and its partner, SN Power Invest AS (SN Power) of Norway, through SNAP-Magat, Inc. (SNAP-Magat) submitted the highest bid for the 360 MW Magat hydroelectric plant auctioned by PSALM. The price offered was US$530 mn. 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, AboitizPower 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 55% 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 100% equity interest in each of DavaoLight and CotabatoLight. DavaoLight is the third largest privately-owned distribution utility in the Philippines in terms of customers and annual GWh sales;
- An effective 64% ownership interest in Subic Enerzone Corporation (SEZ), which manages the Power Distribution System (PDS) of the Subic Bay Metropolitan Authority (SBMA); and
- An effective 44% 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. (El Paso). EAUC operates a Bunker C-fired plant with a capacity of 50 MW within the Mactan Export Processing Zone I (MEPZ I) in Mactan Island, Cebu. On the same date, the Company also acquired from EAUC 60% of the outstanding common shares of Cebu Private Power Corporation (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 PDS in the MEPZ II in Mactan Island in Cebu, and a 60% interest in Balamban Enerzone Corporation (BEZ), which owns and operates the PDS 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 SEZ held by AEV, SFELAPCO, Okeelanta Corporation (Okeelanta) and Pampanga Sugar Development Corporation (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 Business Power Corporation (Global Power) of the Metrobank Group 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 Holdings, Inc. (Abovant). The Company owns 60% of Abovant. The project, which is being undertaken by Cebu Energy Development Corporation (CEDC), a joint venture company among Global Power, Formosa Heavy Industries and Abovant, broke ground last January 2008 and is expected to be completed and start full commercial operations by first quarter of 2011. The Company has an effective participation of 26.4% in the project.

On November 15, 2007, AboitizPower closed the sale and purchase of a 34% equity ownership in STEAG State Power, Inc. (STEAG), 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 the 34% equity from Evonik Steag GmbH (formerly known as Steag GmbH) in August 2007. The total purchase price for the 34% equity in STEAG is US$102 mn, inclusive of interests.

On November 28, 2007, SN Aboitiz Power-Benguet, Inc. (SNAP-Benguet), a consortium between

AboitizPower and SN Power, submitted the highest bid for the Ambuklao-Binga Hydroelectric Power Complex consisting of the 75 MW Ambuklao Hydroelectric Power Plant located at Bokod, Benguet and the 100 MW Binga Hydroelectric Power Plant located at Itogon, Benguet. The price offered amounted to US$325 mn.

In 2007, AboitizPower entered into an agreement to buy the 20% equity of Team Philippines in SEZ for ₱92 mn. Together with the 35% equity in SEZ of AboitizPower's subsidiary DavaoLight, this acquisition brings AboitizPower's total equity in SEZ to 100%.

In 2008, AboitizPower bought the 40% equity ownership of Tsuneishi Holdings (Cebu), Inc. (THI) in BEZ for approximately ₱178 mn. The acquisition brought AboitizPower's total equity in BEZ to 100%.

Last May 26, 2009, AP Renewables, Inc., (APRI), a wholly owned subsidiary of AboitizPower, 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. (TLI), a wholly owned subsidiary of AboitizPower, 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, TLI is responsible for procuring the fuel requirements of, and for selling the electricity generated by, the Pagbilao power plant. The Pagbilao power plant is located in Pagbilao, Quezon.

AboitizPower, through its wholly owned subsidiary, Therma Marine, Inc. (TMI), 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 mn 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 AboitizPower 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 Aboitiz Renewables, Inc. (ARI) (formerly Philippine Hydropower Corporation), and all its non-renewable generation assets under Therma Power, Inc. (TPI).

Neither AboitizPower nor any of its subsidiaries has ever been the subject of any bankruptcy, receivership or similar proceedings.

(2) Business of Issuer

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

(i) Principal Products

GENERATION OF ELECTRICITY

Since its incorporation in 1998, AboitizPower has accumulated interests in both renewable and non-renewable generation plants. As of December 31, 2010, approximately __% of AboitizPower's net income is derived from its power generation business. AboitizPower conducts its power generation activities through the following subsidiaries and affiliates:

The table below summarizes the ceneration companies' operating results as of December 31, 2010.

Generation Companies	Energy Sold Generation 2010	Energy Sold Generation 2009	Energy Sold Generation 2008	Revenue 2010	Revenue 2009	Revenue 2008
	(in GWh)			(in Mn Pesos)		
APRI (1)		1,886	N/A		6,843	N/A
Hedcor, Inc.		171	170		703	618
Luzon Hydro Corporation (LHC)		324	301		1,223	1,088
SNAP Magat		1,150	1,036		3,971	4,604
SNAP Benguet		413	208		1,063	885
TLI (2)		767	N/A		2,801	N/A
TMI (3)						
WMPC		220	107		1,207	1,284
SPPC		226	164		688	691
CPPC		318	296		2,119	2,367
EAUC		202	202		1,382	1,579
STEAG		1,384	1,330		6,206	6,265
DavaoLight (4)		7	6		Revenue neutral	Revenue neutral
CotabatoLight (4)		1	0		Revenue neutral	Revenue neutral
TOTAL		**7,069**	**3,820**		**28,206**	**19,381**

(1) The Tiwi-MakBan geothermal plants were turned over to APRI on May 26, 2009.
(2) TLI assumed dispatch control of the Pagbilao plant last October 1, 2009.

(3) PB 118 and 117 were turned over to TMI last February 6, 2010 and March 1, 2010, respectively.
(4) Plants are operated as stand-by plants and are revenue neutral, with costs for operating each plant recovered by DavaoLight and CotabatoLight, as the case may be, as approved by the ERC.

Aboitiz Renewables, Inc. (ARI)

AboitizPower, one of the leading providers of renewable energy in the country, holds all its investments in renewable energy through its wholly owned subsidiary, ARI. ARI 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 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% equity interest in LHC, which operates the 70 MW Bakun AC hydroelectric plant in Ilocos Sur province in northern Luzon.
- 50% effective interest in SNAP-Magat, which operates the 360 MW Magat hydroelectric plant in Isabela in northern Luzon.
- 50% 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. (Hedcor Sibulan), which owns the 42.5 MW Sibulan hydropower project in Santa Cruz, Davao del Sur.

- 100% equity interest in Hedcor Tamugan, Inc. (Hedcor Tamugan), which proposes to build a 10 to 15 MW Tamugan hydropower project along the Tamugan River 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 is one of the country's leading power generation companies. It is a wholly-owned subsidiary of ARI that took over the Tiwi-MakBan geothermal facilities located at Tiwi, Albay, Bay and Calauan, Laguna and Sto. Tomas, Batangas from PSALM in May 2009. The two complexes have a total capacity of 485 MW.

As geothermal power plants, Tiwi and Makban produce clean energy that is reasonable in cost, efficient in operation and environment-friendly. With the continuous advancement in technology, APRI is setting its vision to operate and maintain the Tiwi and Makban geothermal complexes in accordance with the highest professional standards of world-class independent power producers operating in a merchant market.

The Asset Purchase Agreement (APA) between APRI and PSALM 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 of the APA last May 2009. APRI is currently in the midst of rehabilitation and refurbishment process. Based on initial estimates, the rehabilitation and refurbishment costs could reach U.S. $140-150 mn over a period of 2-3 years. This rehabilitation and refurbishment plan is expected to improve the geothermal plant's operating capacities.

APRI is a Board of Investment (BOI) registered enterprise as New Operator of the Tiwi-Makban geothermal complex, on pioneer status with 6 years income tax holiday starting on June 19, 2009.

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

SNAP-Magat is ARI'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 U.S. $530 mn.

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 Magat plant with a pioneer status, which entitles it to an income tax holiday until July 12, 2013.

A portion of the land underlying the Magat plant is in the name of the National Irrigation Administration (NIA). This portion is being leased by SNAP-Magat from NIA under terms and conditions provided under their O&M Agreement for the operations and maintenance of the non-power component of the Magat hydroelectric plant. 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 Department of Environment and Natural Resources 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 USD380 mn loan from a consortium of international and domestic financial institutions which include the International Finance Corporation, Nordic Investment Bank, BDO–EPCI, Inc., Bank of the Philippine Islands (BPI), China Banking Corporation, Development Bank of the Philippines, The Hong Kong and Shanghai Banking Corporation Limited, Philippine National Bank and Security Bank Corporation. The USD380-mn loan consists of a dollar tranche of up to USD152 mn, and a peso tranche of up to ₱10.1 bn. 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 USD159 mn loan from AEV and its advances from its shareholders used to acquire the Magat Plant.

As a hallmark of innovation in revenue generation, SNAP-Magat garnered an ancillary services contract on October 12, 2009 with the National Grid Corporation of the Philippines (NGCP), a first for a privately owned plant. These services are necessary to maintain power quality, reliability and security of the grid.

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 on 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.

In December 2010, SNAP-Magat announced it will proceed with the feasibility study for the expansion of the Magat hydroelectric plant from 360 MW to up to 540 MW.

The conduct of the feasibility study was formalized on December 15, 2010 upon the signing of a Memorandum of Understanding (MOU) between SNAP-Magat and the NIA.

The MOU facilitates the gathering of information to determine the feasibility of expanding the capacity of the Magat plant for an additional 90 MW to up to 180 MW. The existing Magat plant was designed for two additional units.

The study will also include the feasibility of installing a pumped-storage system. The result of the feasibility study will enable SNAP-Magat to evaluate whether to proceed with the construction phase of the project.

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

On November 28, 2007, SNAP-Benguet, also a consortium between ARI 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 USD325 mn.

The Ambuklao-Binga Hydroelectric Power Complex was turned over to SNAP-Benguet on July 10, 2008. In August 2008, SNAP-Benguet signed a USD 375 mn loan agreement with a consortium of local and foreign banks where USD160 mn was taken up as U.S. dollar financing and USD215 mn 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. Binga's approval is effective until August 12, 2014, while that of Ambuklao lasts until July 2016.

Ambuklao Plant has been under preservation since 1999 due to damage from the 1990 earthquake. Rehabilitation of the Ambuklao Plant commenced in late 2008. The initial attempt to close the old headrace tunnel using concrete plug has proven difficult due to the unexpected volume of sediments (silt and clay) in the tunnel compounded by the effects of Typhoon Pepeng (international name: Parma) that hit the province in October 2009.

Instead, SNAP-Benguet is now extending the new headrace tunnel and building new penstocks up to the main inlet valves to allow water to flow through to the new turbines; consequently, it has abandoned the old tunnel plugging solution. With the extension of the new headrace tunnel and building of new penstocks, the first unit of Ambuklao plant is expected to be completed by second quarter of 2011 with all three units operational by third quarter of 2011, instead of end 2010 as earlier reported.

The refurbishment of the Binga Plant commenced in 2010. Headrace tunnel and intake excavation is 80% completed. Construction of the new intake structure is on-going and target completion of the project is in 2014.

The projects are expected to increase the capacity of the Ambuklao Plant to 105 MW and of the Binga Plant to 120 MW.

In 2010, SNAP-Benguet also entered into a contract with the NGCP for Binga plant to provide ancillary services. This hallmark of business innovation has resulted in a new stream of revenue for the company.

Hedcor, Inc. (Hedcor)

Hedcor was originally incorporated on October 10, 1986 by ACO as the Baguio-Benguet Power Development Corporation. ARI acquired its 100% ownership interest in Hedcor in 1998. In 2005, ARI 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 run–of–river hydropower plants in northern Luzon and Davao City with a combined installed capacity of 38.2 MW. All the electricity generated from Hedcor's hydro plants are taken up by NPC, APRI, DavaoLight, and Benguet Electric Cooperative (BENECO) pursuant to power purchase agreements with the said offtakers.

During the full years 2009 and 2010, Hedcor's hydropower plants generated a total of 171.4 GWh and 155.5 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, ARI, through a property dividend declaration in September 2007.

Luzon Hydro Corporation (LHC)

LHC is ARI'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 Bakun River to provide the plant with its generating power. The USD150 mn 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.

Amlan Power Holdings Corporation was awarded the IPP Administrator contract for the 70-MW Bakun hydropower facility following a competitive bidding process conducted by PSALM.

Hedcor Sibulan, Inc. (Hedcor Sibulan)

Hedcor Sibulan, a wholly owned subsidiary of ARI, is the project company of the Sibulan hydropower project. Sibulan, which broke ground on June 25, 2007, entailed the construction of two run-of-river hydropower plants, Sibulan A and Sibulan B harnessing the Sibulan and Baroring rivers in Santa Cruz, Davao del Sur. The 26 MW Sibulan B started commercial operations in March 2010. The 16.5 MW Sibulan A was completed in July 2010.

Hedcor Sibulan is part of a consortium that won the competitive bidding for the 12-year power supply agreement to supply new capacity to DavaoLight. The bid price for the contracted energy was ₱4.0856/kWh, 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 DavaoLight 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. This allows Hedcor Sibulan to sell the plants' generated carbon credits.

Hedcor Tamugan, Inc. (Hedcor Tamugan)

Hedcor Tamugan, a wholly owned subsidiary of ARI, is the project company organized to build the proposed Tamugan run-of-river hydropower project. In 2010, Hedcor entered into a compromise agreement with the Davao City Water District (DCWD) as a settlement to the dispute in connection with the Tamugan water rights. Originally planned as a 27.5 MW run-of-river facility, Hedcor Tamugan proposed the the construction of 11.5 MW run-of-river hydropower plant. After Hedcor Tamugan secures all required permit, the two-year construction period will commence.

Therma Power, Inc. (TPI)

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

- 100% equity interest in TLI, the IPP Administrator of the 700 MW contracted capacity of the Pagbilao power plant.
- 100% equity interest in Therma Marine, owner and operator of PB 117 and PB 118, barge-mounted power plants, each with a generating capacity of 100 MW.
- 26% effective interest in CEDC, which is currently constructing a 3x82 MW coal–

fired power plant in Toledo City, Cebu.

- 50% equity interest in RP Energy, 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).

AboitizPower 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 AboitizPower's ownership interest in STEAG Power, EAUC, CPPC, Southern Philippines Power Corporation (SPPC) and Western Mindanao Power Corporation (WMPC).

Therma Luzon, Inc. (TLI)

TLI, a wholly owned subsidiary of AboitizPower, submitted the highest offer in the competitive bid conducted by PSALM for the appointment of the IPP Administrator of the 700 MW Contracted Capacity of the Pagbilao Coal Fired Thermal Power Plant located in Pagbilao, Quezon.

The offer by TLI resulted in a bid price of USD691 mn as calculated in accordance with 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, TLI became the first IPP Administrator in the country when it assumed dispatch control of the said contracted capacity of the Pagbilao Plant. As IPP Administrator, TLI is responsible for procuring the fuel requirements of and selling the electricity generated by the Pagbilao Plant. The Pagbilao Plant is being operated by TEAM Energy under a build-operate-transfer scheme.

Therma Marine, Inc. (TMI)

TMI, a wholly owned subsidiary of AboitizPower, owns and operates PB 117 and 118, two power barges each with a generating capacity of 100 MW. TMI assumed ownership of PB 118 and 117 from PSALM last February 6, 2010 and March 1, 2010, respectively. The acquisition followed the successful conclusion of a USD30 mn negotiated bid for the two power barges last July 31, 2009. PB 117 is moored in Bgy. San Roque, Maco, in Compostella Valley, while PB 118 is moored in 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 118 of 50 MW of ancillary services consisting of contingency reserve, dispatchable reserve, reactive power support and blackstart capacity for the Mindanao Grid.

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 likewise got its provisional authority on March 24, 2010 with retroactive effect to March 1, 2010.

On October 4, 2010, ERC issued its final approval on the ASPA application for both barges but with a 55% reduction in the capital recovery fee rates and also a reduction on the fuel consumption rates. A Motion for Reconsideration was filed by TMI and is still pending before the ERC.

The ASPA between NGCP and TMI for the supply of 50 MW each of ancillary services by PB 117 and PB 118 with expiry dates of Feb 6, 2011 and Mar 1, 2011, respectively, were extended to June 25, 2011 for both barges under the same terms and conditions.

STEAG State Power Inc. (STEAG)

AboitizPower closed the sale and purchase of the 34% equity ownership in STEAG from Evonik Steag GmbH (Evonik Steag) last November 15, 2007, following a successful bid in August 2007. The total purchase price for the 34% equity in STEAG was USD102 mn, inclusive of interests.

Incorporated on December 19, 1995, STEAG 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 currently enjoys a 6-year income tax holiday from the BOI.

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

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

East Asia Utilities Corporation (EAUC)

On April 20, 2007, AboitizPower acquired a 50% ownership interest in EAUC from El Paso Philippines, which still owns the other 50% of EAUC. EAUC was incorporated on 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 Philippine Economic Zone Authority (PEZA), PEZA shall be entitled to buy electric power from the spot market, other electric power suppliers and/or generation companies in excess of the contracted demand of 42,500 kW that shall be sourced from EAUC solely or blended with other suppliers. The amended PSPA shall be effective up to April 25, 2011, with the option to renew under mutually acceptable conditions. EAUC and PEZA are currently negotiating for the renewal/extension of the PSPA. With the start of WESM operations in the Visayas Region, EAUC is also capable of selling power to the spot market.

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 BOT contract to supply 62 MW of power to VECO. The CPPC plant will revert to VECO in November 2013.

On April 20, 2007, AboitizPower acquired from EAUC 60% of the outstanding common shares of CPPC. The remaining 40% of the outstanding common shares is owned by Vivant Energy Corporation of the Garcia family of Cebu, who together with AboitizPower, 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 AboitizPower, and Vivant Integrated Generation Corporation (VIGC) of the Garcia Group, to hold their investments in a new power plant to be built in Barangay Daanlungsod, Toledo City, Cebu. Abovant is 60% owned by AboitizPower, through TPI, and 40% owned by VIGC.

Abovant and Global Formosa Power Holdings, Inc., a joint venture between Global Business Power Corporation of the Metrobank Group and Formosa Heavy Industries, Inc. formed CEDC. CEDC is the owner of a new 3x82 MW coal-fired power plant in the existing Toledo Power Station complex in Barangay Daanlungsod, Toledo City, Cebu. With Abovant's 44% stake in the project (Global Formosa owns the remaining 56%), AboitizPower's effective interest in the new power plant, which broke ground in January 2008, is approximately 26.4%.

The first 82 MW unit was commissioned in February 2010, while the second and third units in the second and fourth quarter of 2010, respectively. The power generated from the new power plant provides 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 Carmen Copper Corporation, the shipbuilding facility of Tsuneishi Heavy Industries (Cebu) Inc. (THI) and the modular fabrication facility of Metaphil International.

The power plant, which will cost approximately USD450 mn, is expected to be completed and will start full commercial operations by first quarter of 2011. CEDC had signed an Electric Power Purchase Agreement (EPPA) with VECO for the supply of 105 MW for 25 years. To date, it also has an EPPA with PEZA-MEPZ I; Mactan Electric Company, Inc. (MECO), BEZ; Cebu I Electric Cooperative, Inc.; Cebu II Electric Cooperative, Inc.; Cebu III Electric Cooperative, Inc.; and Bohol Electric I Cooperative, Inc. All its EPPAs will provide contracted minimum energy offtake with fuel as pass through.

Southern Philippines Power Corporation (SPPC)

SPPC is a joint venture among AboitizPower, Alsing Power Holdings, Inc. and Tomen Power (Singapore), Pte Ltd. AboitizPower 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 among AboitizPower, Alsing Power Holdings, Inc. and Tomen Power (Singapore), Pte Ltd. AboitizPower 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 AboitizPower and Taiwan Cogeneration International Corporation. It is the project company that proposes to build and operate a 300-MW coal-fired power plant in Redondo Peninsula in the SBFZ with a planned phase two expansion for another 300 MW Unit.

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 USD500 mn. In view of increasing power demand in the Luzon Grid, RP Energy is re-evaluating the plant configuration of the plant from 2x150 MW units to a 1x300MW unit. RP Energy has signed a Lease Development Agreement with SBMA and has paid its first five year lease for the site. It has secured an Environmental Clearance Certificate and its related amendments as well as the Special Land Use Permit from the DENR. RP Energy has also completed the relocation of all affected residents in the site in accordance with existing rules and regulations and is now the in the final stages of negotiations with a site development contractor for the site development works on site.

Other Generation Assets

AboitizPower's distribution utilities, DavaoLight and CotabatoLight, each has its own stand-by plant. DavaoLight currently maintains the 53 MW Bunker C-fired Bajada stand-by plant, which is capable of supplying 19% of DavaoLight's requirements. CotabatoLight 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.

DISTRIBUTION OF ELECTRICITY

The Aboitiz Group has more than 70 years of experience in the Philippine power distribution sector and has been known for innovation and efficient operations. Through the years, AboitizPower has managed to build strong working relationship with the industry's regulatory agencies.

With ownership interests in seven distribution utilities, AboitizPower is currently one of the largest electricity distributors in the Philippines. AboitizPower'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, AboitizPower's distribution utilities contributed approximately ___% of its net income for 2010. The distribution utilities had a total customer base of _____ in 2010, 685,378 in 2009, and 658,318 in 2008.

The table below summarizes the key operating statistics of the distribution utilities for 2010 and the previous two years.

Company	Electricity Sold (MWh)			Peak Demand (MW)			No. of Customers		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
VECO		1,829,500	1,766,059		336	326		304,002	296,003
Davao Light		1,459,161	1,370,951		276	248		268,708	257,101
SFELAPCO		421,139	406,022		80	75		79,669	73,600
Cotabato Light		120,186	118,450		24	23		30,171	28,927
SEZ		372,391	298,050		97	64		2,724	2,585
MEZ		117,014	141,225		23	23		76	74
BEZ		60,376	63,329		21	15		28	28
Total		4,379,768	4,164,086		857	774		685,378	658,318

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 mn. Its franchise area includes the cities of Cebu, Mandaue, Talisay and Naga, and the municipalities of Minglanilla, San Fernando, Consolacion and Liloan. To date, VECO has 13 substations located in different areas around 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 55.19% held by AboitizPower.

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 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, AboitizPower's parent company, and Vivant Corporation. In September 2005, the Philippine Congress passed Republic Act 9339, which extended VECO's franchise to September 2030. VECO's application for 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 AboitizPower acquired AEV's ownership interest in VECO in January 2007, by AboitizPower. AboitizPower and Vivant 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.

Pursuant to Section 43(f) of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, Section 5(a) of its Implementing Rules and Regulations (IRR), the Energy Regulatory Commission (ERC) promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and reissued on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates for Privately Owned Distribution Utilities entering Performance Based Regulation (PBR) (Second Entry Point).

The ERC issued its final determination on VECO's application for approval of its annual revenue requirements and performance incentive scheme under the PBR for the regulatory period July 1, 2010 to June 30, 2014. Such final determination became final in May 2010.

VECO filed with the ERC on May 19, 2010 its application for approval of the translation into distribution rates of its different customer classes for the first regulatory year of the ERC-approved annual revenue requirement (ARR) under the PBR for the regulatory period July 1, 2010 - June 30, 2014. After subsequent hearings, the ERC approved on June 28, 2010 VECO's application for translation into distribution rates of its different customer classes for the first regulatory year under the PBR for the regulatory period July 1, 2010 to June 30, 2014. The approved Distribution, Supply and Metering Charges for Regulatory Year 2011 was implemented by VECO effective August 1, 2010.

Davao Light & Power Company, Inc. (DavaoLight)

DavaoLight is the third largest privately-owned electric distribution utility in the country in terms of customers and annual Kilowatt-hour (kWh) sales.

With a franchise covering Davao City and Davao del Norte areas of Panabo City and the Municipalities of Carmen, Dujali and Santo Tomas, DavaoLight services a population of approximately 1,777,926 and a total area of 3,561 square kilometers.

Although DavaoLight was organized on October 11, 1929, the Aboitiz Group acquired its ownership interest in the company in 1946. Currently, the AboitizPower owns 99.93% of the shares in DavaoLight.

DavaoLight'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 DavaoLight's franchise for Davao City to November 2005 and granted DavaoLight franchises for the City of Panabo and the municipalities of Carmen and Santo Tomas in Davao del Norte province. In September 2000, the Philippine Congress passed Republic Act 8960, which granted DavaoLight a franchise over its current franchise area for a period of 25 years, or until September 2025.

DavaoLight has a 150-MVA and a 2x50-MVA substation drawing power at 138 kV. In 1998 it entered into a 10-year power purchase agreement with NPC, which had been extended until 2015 by a separate contract signed in 2005 by the parties. DavaoLight's power purchase agreement with the NPC allows the delivery of most of DavaoLight's power requirements through DavaoLight's 138- kV lines. As a result, in taking delivery of electricity from NPC, DavaoLight is able to bypass the NGCP connection assets and avoid having to pay corresponding wheeling fees to NGCP, thereby allowing DavaoLight to cut its operating costs.

In February 2007, DavaoLight awarded to the Hedcor Consortium (composed of Hedcor, ARI, Hedcor Sibulan, and Hedcor Tamugan) a 12-year supply contract of new capacity. The price differential between the 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 bn at current peso value, representing significant savings for DavaoLight customers. DavaoLight decided to secure the new supply contract in anticipation of the full utilization of the existing contracted energy supply under the 10-year contract with the NPC for 1,363,375 MWH and the 12-year contract with Hedcor.

In 2010, amidst the power crisis in Mindanao during the first semester, DavaoLight's franchise area was spared of the long daily rotating brownouts of up to 8 to 12 hours experienced in other areas.

The shorter service interruptions of up to a maximum of 3 hours were attributed to DavaoLight's implementation of its contingency plans which include operation of its 54.8-MW Bunker C-fired standby plant or an average of 40 MW on a sustaining basis. The standby plant is capable of supplying 19% of DavaoLight's electricity requirement.

The power from Hedcor Sibulan's 42.5 MW and Hedcor, Inc.'s Mintal 4 MW hydroelectric plants likewise augmented power supply in the DavaoLight franchise area.

The Bunker C-fired plant and the Sibulan and Mintal hydroelectric plants are embedded in the DavaoLight franchise. Thus, the power generated from these facilities are dispatched directly into the DavaoLight distribution network without passing through the NGCP transmission lines.

To further alleviate the impact of the brownouts on small consumers, DavaoLight instituted the Interruptible Load Program (ILP) with the cooperation of its large industrial customers. These customers volunteered either to run their own generators or shutdown their operation during power shortage so that the available power can be made available to small customers.

Despite the load curtailment issued by NGCP during the power crisis, DavaoLight registered 1.548 bn kWh sales, representing 6.10% growth versus 2009. Sales could have grown by 7.30% if there was no curtailment based on estimates.

All sectors of customers, residential, commercial and industrial posted rise in sales revenues, with the bulk coming from the banana, manufacturing and refrigeration businesses in the industrial sector. Influx of other medium business ventures such as retail shopping centers, beverage and cold storage gave a boost in the commercial electricity sales.

Peak demand hit 291 MW for a 5.41% increase versus last year. New service connections grew by 4.66% increasing the number of customers to 281,234 by year-end. Fast development of new subdivisions and condominiums drove an upscale of 5% in residential consumers.

As required by EPIRA, DavaoLight filed with the ERC its Distribution Wheeling Rates in order to enter into the PBR rate methodology. Based on DavaoLight's approved annual revenue requirements for the regulatory period July 1, 2010 to June 30, 2014, the ERC adjusted its average distribution related charges by P0.08 from P1.08 per kWhr to P1.16 for the first year.

DavaoLight operates its distribution system at a low systems loss level below the government mandated 8.5% cap set for private distribution utilities starting January 2010. From 7.94% in 2009 the company further reduced its systems loss figure by 0.53% to 7.41% by the end of December 2010.

Constantly innovating on services to add convenience to paying customers, DavaoLight's partnership with the country's top payment service providers, EC Pay and CIS Bayad Center, added a combined 99 payment centers. Aside from payment centers in its own offices, DavaoLight also engages the services of third party collection agents, such as mall payment centers, authorized banks and convenience stores. Customers now have 129 different payment venues to choose from, sixty-one (61) of which are convenience stores that have been commissioned to receive bill payments 24/7.

To improve service reliability, a total of 19 circuit kilometers of 69 kV Sub-transmission and 13.8 kV were upgraded. Ten 138 kV transmission line structures were also converted from wood to steel.

In order to maintain the standby Bunker C-fired plant's dependability, four of its machines with a total generating capability of 20 MW were overhauled.

On substation operations, comprehensive maintenance and servicing on 5 distribution facilities were undertaken. At the same time 3 control rooms were completed.

Following VECO, DavaoLight rolled out Project Pearl, the project name for the Customer Care and Billing (CC&B) system developed by Oracle being implemented among AboitizPower's distribution utilities. The ₱100 mn CC&B is an integrated customer care software that will replace the various in–house developed systems currently used.

Cotabato Light & Power Company, Inc. (CotabatoLight)

CotabatoLight 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 2010, it has a manpower complement of 74 full-time employees and a number of contractual employees serving a customer base of 31,611, composed of residential, commercial, industrial and flat rate customers.

CotabatoLight 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 3217 which was further amended by Republic Act 3341 extending CotabatoLight's franchise until June 1989. In August 1989, NEA extended CotabatoLight's franchise for another 25 years, which will expire in August 2014. AboitizPower owns 99.93% of CotabatoLight.

As of 2010, CotabatoLight 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. CotabatoLight's distribution voltage is 13.8 kV. To further boost its systems' reliability and efficiency, the construction of the new Malagapas 10 MVA Substation is ongoing and is expected to be operational by May 2011.

CotabatoLight maintains a standby 7-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 CotabatoLight's customers. During the recent Mindanao power crisis, CotabatoLight's franchise area experienced one of the lowest rotating power outages due to its back-up power plant.

In 2010 CotabatoLight posted a modest kWh growth of 7.99% compared to 2009 basically because of increase in number of residential customers and increase of industrial consumptions.

Although a relatively small utility, CotabatoLight's corporate relationship with its affiliate, DavaoLight, allows the former to immediately implement benefits from the latter's system developments.

Keeping pace with world class standards, CotabatoLight adopted a new computerized Accounting system called ERP from Oracle. Also, it is now in the process of implementing the Oracle's CC& B system, which is the standard billing, collection and customer service related systems utilized by other distribution utilities of AboitizPower. The CC & B system is expected to be onstream by mid-2011.

Managing its systems loss is a challenge for CotabatoLight. With system losses capped by ERC at 8.5%, CotabatoLight aims to lower systems losses through various measures most of which are aimed to address pilferage, the primary cause of its higher-than-cap systems losses.

The implementation of Meter on Post (MOP) or Elevated Metering System project contributed much to the reduction of its systems loss to 9.1% in December 2010 from as high as 10.8% at the start of the year. This project will continue to be implemented in 2011 to further reduce the systems loss to 8.5%.

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

On April 15, 2009, the ERC approved CotabatoLight's application for translation of its approved annual revenue requirement for the first regulatory year into applicable rates per customer class. CotabatoLight 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 was reflected and recovered in the next regulatory year's rate translation application which was approved by ERC on February 22, 2010. The resulting new rates were implemented in April 2010.

CotabatoLight filed on December 15, 2010 the third regulatory year MAP recalculation and rate translation to be implemented from April 2011 to March 2012. ERC is scheduled to release its decision on the third regulatory year rates before the end of March 2011.

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, five barangays in the municipality of Bacolor and two 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 372,753.

SFELAPCO was incorporated on May 17, 1927. In 1961, the Philippine Congress passed Republic Act 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 lapsed into law last February 6, 2010.

On November 11, 2009, SFELAPCO signed a Power Supply Agreement (PSA) with APRI. Under the PSA, APRI will supply the additional energy required by SFELAPCO that cannot be supplied by NPC from December 25, 2009 to September 25, 2010. Thereafter, APRI will then become the sole provider of power to SFELAPCO until December 25, 2012.

SFELAPCO is part of the fourth batch of private utilities to enter PBR, and is expected to enter its four-year regulatory period by October 1, 2011. AboitizPower has an effective interest of 43.78% in SFELAPCO.

Subic Enerzone Corporation (SEZ)

In May 2003, the consortium of AEV and DavaoLight won the competitive bid to provide distribution management services to the 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 Davao Light, AEV, SFELAPCO, Team Philippines, Okeelanta and 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 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 30% and instead pays a preferential tax of 5% on its gross income in lieu of all national and local taxes.

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

On December 17, 2007, AboitizPower bought the 20% equity of Team Philippines in SEZ for ₱92 mn. Together with the 35% equity in SEZ of AboitizPower's subsidiary DavaoLight, this acquisition brought AboitizPower'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 a rate increase as per approved unbundled rates.

In 2010, SEZ acquired more advanced equipment to further enhance the company's service to its customers. In January, the company purchased a Meter Test Equipment (MTE) 5-Position Test Bench from Germany to improve its meter calibration services. As a result, meter calibration improved from 25 meters to 130 meters a day. In July, SEZ procured a Megger Fault Locator for underground power cable trouble-shooting. With this new equipment, SEZ can determine electrical underground faults more quickly, thus reducing power outage time.

SEZ is part of the fourth batch of private utilities to enter PBR. The ERC is expected to release by the end of June 2011 its final determination on SEZ' application for approval of its Maximum Average Price (MAP), Annual Revenue Requirements, and Performance Incentive Scheme for the period covering October 2011 to September 2015. The approved MAP will then be translated into new per customer class rates and will be implemented starting October 2011.

Mactan Enerzone Corporation (MEZ)

MEZ was incorporated in January 2007 when 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, AboitizPower 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, AboitizPower acquired AboitizLand's ownership interest in MEZ valued at ₱609.5 mn in exchange for AP's common shares issued at the initial public offering price of ₱5.80 per share.

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 MEPZ II locators under their respective Power Service Contracts with MEZ.

In 2010, MEZ mounted two (2) sets of Automatic Voltage Regulator (AVR) to its old substation to improve voltage levels to locators.

To further provide world class customer service, MEZ constructed their main Administration office within the zone where they operate, MEPZ II. The MEZ Control Room was also renovated and expanded to improve the efficiency of operation. To avail of the opportunities in the competitive electricity market, MEZ decided to register as a direct participant of the Wholesale Electricity Spot Market (WESM) during the end of 2010.

For the 2011 operating period, MEZ plans to transfer its NGCP metering to its substation in order to minimize line losses and further improve the voltage quality by the addition of two (2) more sets of AVR.

Balamban Enerzone Corporation (BEZ)

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

On May 4, 2007, CIPDI declared property dividend to its stockholders in the form of its equity in BEZ. On June 8, 2007, AboitizPower entered into an agreement to acquire AboitizLand's 60% equity stake in BEZ represented by 4,301,766 common shares of BEZ. Pursuant to the agreement, AboitizPower acquired AboitizLand's ownership interest in BEZ valued at ₱266.9 mn in exchange for AboitizPower's common shares issued at the initial public offering price of ₱5.80 per share.

On March 7, 2008, AboitizPower purchased Tsuneishi Holdings' 40% equity in BEZ for approximately ₱178 mn. The acquisition brought AboitizPower's total equity in BEZ to 100%.

During the early months of 2010, BEZ completed the construction of the 33MVA On-load Tap Changer Substation, including the Control Room with 15kV Metal-Clad Switchgear, as well as the two-kilometer 69kV line from Arpili to Buanoy Substations. BEZ also erected their Fast and Slow Moving Warehouses within their Buanoy and Arpili Substations respectively.

Supervisory Control and Data Acquisition (SCADA) will be implemented starting first quarter of 2011 to raise the quality of operation in BEZ's Arpili and Buanoy Substations.

To ensure continuous supply of power, BEZ decided to register as a direct participant of WESM during the end of 2010.

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 EPIRA is fully implemented, large-scale customers will be allowed to obtain electricity from Retail Electricity Suppliers (RES) licensed by the ERC.

Aboitiz Energy Solutions, Inc. (AESI)

AESI, a wholly owned subsidiary of AboitizPower, holds a license to act as a RES (issued on November 9, 2009) 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.

AESI also provides a range of value added technical services to the various customers of the AboitizPower generation group, including power quality analysis, thermal scanning and power factor evaluation and correction. These technical services allow power supply customers to properly assess their power consumption profile leading to a more efficient power consumption management. Aside from providing technical assistance in power quality analysis, AESI is also involved in project management services for transmission lines and substations.

These products – from power supply to technical support – allow AESI to provide a one stop shop convenience to AboitizPower customers for all their power requirements. As the era of Open Access begins, these same services currently enjoyed by existing AboitizPower generation customers, from distribution utilities to large manufacturing firms, will be made available by AESI to new retail supply customers. This will positively impact the efficiency and use of power in these industrial and residential customers in the years ahead.

(ii) Sales

Comparative amounts[2] of revenue, profitability and identifiable assets are as follows:

	2010	2009	2008
Gross Income		23,174	12,243
Operating Income		5,456	1,653
Total Assets		**111,341**	**47,272**

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

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

[2] Amounts in mns

Comparative amounts[3] of revenue contribution by business grouping are as follows:

Business Segment	2010		2009		2008 As restated	
Power Generation			12,466	53%	2,985	24%
Power Distribution			10,734	46%	9,228	73%
Services			296	1%	328	3%
Total Revenue			**23,496**	**100%**	**12,541**	**100%**
Less: Eliminations			(322)		(298)	
Net Revenue			**23,174**		**12,243**	

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

(iii) Distribution Methods of Products or Services

The generation companies sell their electricity either through the WESM or through bilateral power supply agreements with NPC, private distribution utilities or other large end-users.

Currently, SNAP-Magat and SNAP-Benguet have ASPAs with NGCP as ancillary service providers to the Luzon Grid. As ancillary service providers, SNAP-Magat and SNAP-Benguet nominate their available capacity for ancillary service to NGCP (System Operator). If NGCP accepts the nominated ancillary capacity, it will then provide a notice of ancillary service schedule to SNAP-Magat and SNAP-Benguet. TMI also has an ASPA with NGCP for a supply by each of PB 117 and 118 of 50 MW of ancillary services consisting of contingency reserve, dispatchable reserve, reactive power support and blackstart capacity for the Mindanao Grid.

Majority of AboitizPower'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, AboitizPower's distribution utilities have exclusive distribution franchises in the areas where they operate. These utilities own distribution lines with voltage levels ranging from 220 volts to 23 kV and 69 kV backbone and sub-transmission lines. These lines distribute electricity to the distribution utilities' customers in 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 AboitizPower's distribution utilities 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 AboitizPower's generation companies, AboitizPower and its subsidiaries do not have any publicly announced new product or service to date.

[3] Amounts in mns

(v) Competition

Generation Business

With the privatization of NPC-owned power generation facilities and the establishment of WESM, AboitizPower'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, SNAP-Benguet, APRI and TLI 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.

AboitizPower 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 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 AboitizPower's distribution utilities currently has an exclusive franchise to distribute electricity in the areas covered by each franchise.

Under Philippine law, the franchises of the distribution utilities may be renewed by the Congress of the Philippines, 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 utilities' franchises could adversely affect the Company's results of operations.

(vi) Sources of Raw Materials and Supplies

Generation Business

AboitizPower'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 APA 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 the

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.

AboitizPower'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. TMI has existing fuel supply agreements with Shell and Petron for PB 117 and 118, respectively, which peg fuel prices based on Mean of Platts Singapore (MOPS).

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

TLI has entered into long-term coal supply contracts for the Pagbilao plant's annual coal requirements. With the tight coal supply situation in the market as a result of weather disturbances in the coal producing countries, TLI is looking at and evaluating alternative sources other than Indonesia to ensure security of supply.

Distribution Business

The bulk of volume of electricity the distribution utilities sell is purchased from NPC, rather than from the generation companies. The following distribution utilities purchase electricity from the generation companies: DavaoLight from Hedcor, SFELAPCO from APRI and VECO from CPPC and CEDC. Most of AboitizPower's distribution utilities 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	NPC – (extended) expiring in December 25, 2011	870,481	Yes	ERC approved NPC rate + ERC approved adjustments
DavaoLight	NPC– 10 years; expiring in December 2015	1,238,475	Yes	ERC approved NPC rate + ERC approved adjustments
CotabatoLight	NPC – 10 years; expiring in December 2015	116,906	Yes	ERC approved NPC rate + ERC approved adjustments
MEZ	NPC – Ten years; expiring in September 2015	114,680	Yes	ERC approved NPC rate + ERC approved adjustments

The rates at which DavaoLight and SFELAPCO purchase electricity from AboitizPower's 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 DavaoLight 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 AboitizPower's distribution utilities from purchasing more than 50% of their electricity requirements from affiliated generation companies. Hedcor Sibulan supplies DavaoLight with electricity generated from its Sibulan plants pursuant to the Hedcor Consortium's 12-year power supply agreement to supply new capacity to DavaoLight.

VECO has 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). In September 2009, VECO entered into a Electric Power Purchase Agreement (EPPA) with CEDC for the supply of 105 MW for 25 years to address VECO's long-term power supply requirement. 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 utilities' 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 utilities can purchase up to 90% of their electricity requirements using bilateral contracts.

Meanwhile, DavaoLight and CotabatoLight each has its own stand-by plant. Davao Light currently maintains the 53 MW Bunker C-fired Bajada stand-by plant which is capable of supplying 19% of Davao Light's requirements. CotabatoLight maintains a stand-by 7 MW Bunker C-fired power plant capable of supplying approximately 30.5% of its requirements.

Transmission Charges

Each of the distribution utilities has entered into a transmission service contract with NGCP for the use of NGCP's transmission facilities in the distribution of electric power from the Grid to its customers. The distribution utilities have negotiated agreements with NGCP in connection with the amount and form of security deposit to be provided by the distribution utilities to NGCP to secure their obligations under their transmission services contracts.

(vii) Major Customers

Close to 70% of the total electricity generated by the generation companies are either sold to private distribution utilities or the NPC pursuant to long-term bilateral agreements. The bilateral agreements with NPC are supported by NPC's credit, which in turn is backed by the Philippine government. The remaining 30% of the total electricity generated by AboitizPower's Generation Companies is sold through the WESM.

Most of AboitizPower's distribution utilities, 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 AboitizPower. The distribution utilities' 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

AboitizPower and its subsidiaries (the Group) had transactions with related parties, principally consisting of:

(a) Up until December 31, 2008, the Group had service contracts with ACO, the parent company of AEV, for corporate center services rendered, such as human resources, internal audit, legal, treasury and corporate finance, among others. With the transfer of all ACO employees to AEV in January 2009, AEV is now providing these same services and shares with the member companies the business expertise of its highly qualified professionals. Transactions are priced on a cost recovery basis, and billed costs are always benchmarked on third party rates to ensure competitive pricing. Service Level Agreements are in place to ensure quality of service. This arrangement enables the Group to maximize efficiencies and realize cost synergies. Management, professional, legal and other service fees paid by the Group to AEV amounted to ₱409.41 mn in 2009, ₱362.61 mn in 2008, ₱366.57 mn in 2007, respectively.

(b) Management and other service contracts of certain subsidiaries with ACO at fees based on agreed rates. Management and other service fees paid by the Group to ACO amounted to nil, ₱40.73 mn and ₱27.15 mn in 2009, 2008 and 2007, respectively.

(c) The Company also obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain subsidiaries and associates in connection with loans and credit accommodations. The Company provided SBLC for STEAG Power, LHC and SNAP-Benguet in the amount of ₱1.80 bn in 2009 and 2008.

(d) Energy fees billed by Hedcor, Inc. to SFELAPCO amounted to ₱19.63 mn in 2009, ₱17.34 mn in 2008 and ₱17.77 mn in 2007.

(e) Energy fees billed by CPPC to VECO amounted to ₱2.10 bn in 2009,₱2.35 bn in 2008 and ₱ 1.65 bn in 2007.

(f) Aviation services rendered by AEV Aviation to the Group. Total expenses from associate amounted to ₱24.82 mn in 2009, ₱19.86 mn in 2008 and ₱12.66 mn in 2007. AEV Aviation is a subsidiary of AEV.

(g) Lease of commercial office units by the Group from Cebu Praedia Development Corporation (CPDC) for a period of three years. Rental expense amounted to ₱48.17 mn in 2009, ₱32.24 mn in 2008, and ₱28.19 mn in 2007. CPDC is a subsidiary of AEV.

(h) The Company provides services to certain subsidiaries and associates such as technical and legal assistance for various projects, trainings, and other services. Total technical and service fee income amounted to ₱2.17 mn in 2009, ₱9.44 mn in 2008 and ₱1.4 mn in 2007.

(i) Cash deposits with Union Bank of the Philippines (UBP) and City Savings Bank (CitySavings), both associates of AEV (see Note 4 in the attached 2009 Audited Financial Statement).

(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 3.00% to 9.25% in 2009, 3.00% to 10.40% in 2008, and 5.13% to 8.25% in 2007. Net interest income (expense) incurred on these advances amounted to ₱55.8 mn in 2009, ₱142.7 mn in 2008, and (₱29.9 mn) in 2007.

(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.

AboitizPower's generation companies, as well as DavaoLight and CotabatoLight 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, DavaoLight and CotabatoLight 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

Title of Document:	Issued under the name of:	Power Plant					Date of Issuance
Certificate of Compliance No. 05-12-GXT13701-13728	Davao Light	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	Cotabato Light	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
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

Title of Document:	Issued under the name of:	Power Plant					Date of Issuance
		Stand-by Genset		1.25	Diesel	25	
Certificate of Compliance No. 10-05-GXT286e-7833	APRI (Makban Geothermal Plant)	Geothermal	Brgy. Bitin, Bay, Laguna	Plant A 126.40MW Plant D – 40 MW	Steam		May 31, 2010
			Brgy. Limao, Tamlong, Calauan, Laguna	Plant B – 126.40 MW Plant C – 126.4 MW			
			Brgy. Sta. Elena, Sto. Tomas, Batangas	Plant E – 40 MW			
Certificate of Compliance No. 10-12-GXT 286r-13736L	APRI (Tiwi Geothermal Plant)	Geothermal	Brgy. Cale, Tiwi, Albay	234 MW 275	Steam		December 10, 2010
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
Certificate of Compliance No. 06-04-GXT 28699-15074	Power Barge 118	Diesel Engine	Carlos Cutler Ave., Brgy. San Roque, Maco Compostela Valley	103.80	Diesel		April 19, 2006
		Stand-by Diesel Genset		1.68	Diesel		
Certificate of Compliance No. 06-04-GXT 286bb-14633	Power Barge 117	Diesel Engine	Nasipit, Agusan del Norte	100.00	Diesel		April 6, 2006
		Steam Turbine		3.50	Steam		
		Stand-by Genset		1.68	Diesel		

AboitizPower'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 utilities operating within ecozones, all distribution utilities 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 utilities' legislative franchises:

	Expiration Date
VECO	2030
DavaoLight	2025
CotabatoLight	2014
SFELAPCO	2035
SEZ[4]	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, AboitizPower's wholly-owned subsidiaries, AESI and Adventenergy, Inc. obtained separate licenses to act as Retail Electricity Suppliers and Wholesale Aggregators.

Trademarks

AboitizPower and its subsidiaries own, or have pending applications 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 & DEVICE *(Class No. 42)*	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

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

Trademarks	Applicant	Date Filed	Certificate of Registration No./Date Issued	Description	Status
Cleanergy *(Class No. 42)*	AboitizPower	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 and Device *(Class No. 42)*	AboitizPower	July 30, 2002	4-2002-06293 July 16, 2007	Application for trademark Cleanergy and Device with the representation of a light bulb 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
A Better Future *(Class No. 39,40, and 42)*	AboitizPower	April 23, 2010	4-2010-004383	Application for trademark "A Better Future.”	Trademark application has been allowed and its publication in the Official Gazette has been approved in IPO's Notice of Allowance dated August 4, 2010. Payment for publication has been paid on October 4, 2010.
Better Solutions *(Class No. 39, 40 and 42)*	AboitizPower	April 23, 2010	4-2010-004384	Application for Trademark "Better Solutions".	Trademark application has been allowed and its publication in the Official Gazette has been approved in IPO's Notice of Allowance dated August 4, 2010. Payment for publication has been paid on October 4, 2010.

Trademarks	Applicant	Date Filed	Certificate of Registration No./Date Issued	Description	Status
Cleanergy Get It and Device *(Class No. 39, 40 and 42)*	AboitizPower	April 23, 2010	4-2010-004381	The word "Cleanergy" with the phrase "get it" below it with both words enclosed inside a representation of a thumbs up sign. The whole mark is rendered in two shades of green.	Trademark application has been allowed and its publication in the Official Gazette has been approved in IPO's Notice of Allowance dated August 4, 2010. Payment for publication has been paid on October 4, 2010.
AboitizPower word mark *(Class 39,40, & 42)*	AboitizPower	April 23, 2010	4-2010-004385	Application for Trademark "AboitizPower word Mark".	Trademark application has been allowed and its publication in the Official Gazette has been approved in IPO's Notice of Allowance dated August 4, 2010. Payment for publication has been paid on October 4, 2010.
Cleanergy got it & Device *(Class 39, 40 and 42)*	AboitizPower	April 23, 2010	4-2010-004382	The word "Cleanergy" with the phrase "got it" below it with both words enclosed inside a representation of a thumbs up sign. The whole mark is rendered in two shades of green.	Trademark application has been allowed and its publication in the Official Gazette has been approved in IPO's Notice of Allowance dated August 4, 2010. Payment for publication has been paid on October 4, 2010.
AboitizPower Spiral *(Class 39, 40 and 42)*	AboitizPower	April 23, 2010	4-2010-004380	The representation of a spiral rendered in blue.	Trademark application has been allowed and its publication in the Official Gazette has

Trademarks	Applicant	Date Filed	Certificate of Registration No./Date Issued	Description	Status
					been approved in IPO's Notice of Allowance dated November 3, 2010. Payment of the issuance and publication fees has been made on December 29, 2010.
AboitizPower and Device *(Class 39, 40 and 42)*	AboitizPower	April 23, 2010	4-2010-004379	The words "Aboitiz" and "Power" rendered in two shades of blue with the representation of a spiral above it and the words "A Better Future: below it.	Trademark application has been allowed and its publication it the Official Gazette has been approved in IPO's Notice of Allowance dated November 3, 2010. Payment of the issuance and publication fees has been made on December 29, 2010.
Power One (wordmark) *(Class No. 42)*	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 and Device *(Class No. 42)*	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 CORPORATION and LOGO (colored) *(Class No. 39)*	SEZC	July 6, 2006	4-2006-07306 August 20,2007	Trademark Application for Subic Enerzone Corporation and Logo (blue & yellow). The mark consists	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
				of the words "Subic Enerzone" in fujiyama extra bold font with the word "Corporation" below it, also in fujiyama font, rendered in cobalt 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 CORPORATION and LOGO (gray) *(Class No. 39)*	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	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
				shape of a flame (the company logo) above the words.	
SUBIC ENERZONE CORPORATION (wordmark) *(Class No. 39)*	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 *(Class No. 39)*	RP Energy	August 12, 2008	4-2008-009737 April 13, 2009	A representation of 2 mountains, colored blue and red, with the representation of the sun over them, and the words "RP Energy" and "Redondo Peninsula Energy Incorporated" below it.	Original Certificate was issued on April 13, 2009

(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 AboitizPower'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 NGCP 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.

On February 18, 2011, the ERC issued an Order in ERC Case No. 2011-004RM entitled "In the Matter of the Declaration of the Retail Competition and Open Access Pursuant to Section 31 of Republic Act No. 9136, Otherwise known as the Electric Power Industry Reform Act of 2001, and Sections 3 and 4 of its Implementing Rules and Regulations," setting public hearings to determine whether or not Retail Competition and Open Access may already be declared. In the said Order, the ERC *motu propio* initiated the proceedings to determine whether or not Retail Competition and Open Access may already be declared. The ERC scheduled the public hearings on March 7 to 11, 2011 in ERC, Pasig City.

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 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 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 set by the ERC for low-income, captive electricity consumers who cannot afford to pay the full cost of electricity. These end-users are exempt from the cross-subsidy removal for a period of ten 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 set 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.

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

On April 15, 2009, the ERC approved CotabatoLight's application for translation of its approved annual revenue requirement for the first regulatory year into applicable rates per customer class. CotabatoLight 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 was reflected in CotabatoLight's second regulatory year MAP recalculation and rate translation application which was approved by the ERC on February 22, 2010. The resulting new rates were implemented April 2010.

CotabatoLight filed on December 15, 2010 the third regulatory year MAP recalculation and rate translation to be implemented from April 2011 to March 2012. ERC is scheduled to release its decision on the third regulatory year rates before the end of March 2011.

VECO and DavaoLight filed on May 2010 their respective first regulatory year rate design applications based on the ERC's final determinations on their annual revenue requirements for the 4-year regulatory period from July 2010 to June 2014. The proposals were approved by ERC on June 2010 and the new rates were implemented on August 2010.

The second regulatory year MAP recalculation and rate translation for both DavaoLight and VECO are scheduled to be filed before the end of March 2011 and ERC is expected to release the new rates by June 2011.

For SFELAPCO and SEZ, the regulatory reset process is on its final stages and ERC is scheduled to release before the end of March 2011 its draft determination on the applications for annual revenue requirements and performance incentive schemes for the regulatory period October 2011 to September 2015. The draft determination will be subjected to public consultations before ERC releases its final determination on June 2011. Thereafter, SFELAPCO and SEZ will be filing their respective rate design applications for the first regulatory year to be implemented from October 2011 to September 2012.

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;

(f) Add the following exceptions under Section 45 of EPIRA (Cross Ownership, Market Power Abuse and Anti-Competitive Behavior): (1) generating companies utilizing or producing power from site-specific indigenous and renewable energy source such as hydro, geothermal and wind power and (2) if the breach in market share limits is due to the temporary or permanent shutdown or non-operation of other generating facilities;

(g) Exempt or defer some assets of NPC from privatization, such as the Unified Leyte (Tongonan) Geothermal Complexes, Agus and Polangui Complexes, and the Angat Dam;

(h) Expand the definition of host communities to include all barangays, municipalities and provinces or regions that protect and maintain watersheds that provide water supply to the dam or hydroelectric power generating facility;

(i) Distribution utilities to pay a franchise tax equivalent to 3% of the distribution utility's gross income in lieu of all taxes.

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.

According to Department Circular No. DO2009-05-0008 dated May 25, 2009 (Rules Implementing the Renewable Energy Act of 2008), the DOE, Bureau of Internal Revenue (BIR) and the Department of Finance (DOF) shall, within six (6) months from the issuance of the implementing rules of the RE law, formulate the necessary mechanisms/guidelines to implement the entitlement of the general incentives and privileges to qualified RE Developer. However, as of this date, no specific guidelines or regulations has been issued yet by the relevant implementing agencies. Such being the case, the renewable energy companies of AboitizPower, such as APRI, Luzon Hydro, Hedcor Sibulan, Hedcor Tamugan, SNAP-Magat and SNAP Benguet filed last August 6, 2010 a request for ruling before the BIR-Law Division on the application of zero-rated value-added tax on all its local purchases of goods and services needed for the development of the RE plant facilities, whole process of exploration and development of RE sources up to their conversion into power and the services of subcontractors and contractors. To date, the said request is still pending with the BIR-Law Division.

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 systems losses of distribution utilities was reduced from 9.5% to 8.5%. The new system loss cap was implemented in January 2010.

Under the new regulation, 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

AboitizPower and its subsidiaries do not allocate specific amounts or fixed percentages for research and development. All research and developmental activities are done by AboitizPower'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

AboitizPower'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 AboitizPower generation companies and distribution utilities has incurred, and expects to continue to incur, operating costs to comply with such laws and regulations. In addition, each of AboitizPower's generation companies and distribution utilities has made and expects to make capital expenditures on an ongoing basis to comply with safety, health and environmental laws and regulations. AboitizPower'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 2010 AboitizPower and its subsidiaries and affiliates 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. AboitizPower 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, AboitizPower has a total of __ employees as of January 31, 2011, composed of executive, supervisory, and rank and file staff. There is no existing collective bargaining agreement covering AboitizPower employees.

As of January 31, 2011, the Company, its consolidated subsidiaries, Luzon Hydro, VECO, SNAP-Benguet, SNAP-Magat, EAUC and MORE employed a total of ___ employees.

The following table provides a breakdown of total employee headcount on a per company basis, divided by function, as of January 31, 2011.

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.

Business Unit	Number of Employees					Unionized Employees	Expiry of CBA
	Total	Executives	Managers	Supervisors	Rank & File		
AboitizPower							
AESI	14	1		1	12	0	N/A
BEZ	9			1	8	0	N/A
MEZ	17	1	1	1	14	0	N/A
ARI	7	7	0	0	0	0	N/A
APRI	311	4	19	70	218	93	On-going
CPPC	46	0	2	15	29	0	_____
EAUC	27	0	1	3	13	0	N/A
Luzon Hydro	40	3	3	5	29	0	N/A
MORE	56	10	9	20	17	0	N/A
SEZ	57	1	4	4	48	0	N/A
SNAP-Magat	44	0	2	11	31	0	N/A
SNAP-Benguet	105	1	7	26	71	0	N/A
STEAG	190	3	16	42	129	0	N/A
WMPC	80	0	4	21	55	0	N/A
SPPC	68	0	4	19	45	0	N/A
CotabatoLight	74	0	2	16	56	47	06/30/14
DavaoLight	182	12	26	65	110		06/15/11
Hedcor, Inc.	335	11	11	25	288	131	09/19/11
VECO							
TOTAL NO. OF EMPLOYEES	-----						

On October 28, 2010, the Visayan Electric Company Employees Union – ALU – TUCP (the "Union") filed a Notice of Strike against VECO on grounds of unfair labor practice, for alleged illegal dismissal of union president and officers and alleged failure to observe the grievance procedure in their Collective Bargaining Agreement (CBA). The Secretary of Labor assumed jurisdiction over the strike and remanded the illegal dismissal case of the union president to the National Labor Relations Commission (NLRC). The compulsory arbitration over the labor dispute and the illegal dismissal case remain pending before the NLRC. The compulsory arbitration enjoins all parties to maintain industrial peace.

(xiv) Major Risk/s Involved in the Business

Certain risks are inherent to the businesses that AboitizPower and its investee companies are engaged in. Through prudent management and investment decisions, AboitizPower constantly strives to minimize the impact of such risks on its businesses. The following are the major risks inherent to AboitizPower'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 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 divestiture in Luzon and Visayas 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 prevailing supply and demand situation.

The Company's growth strategy after 2010 swings from an acquisition strategy to Greenfield projects. However, it continues to approach all of its investment decisions from a prudent and careful mindset. When the Company determines to build a significant asset, a careful study of the market conditions are made in order to ensure its ability to sell any power generated. A review of the Company's advantage over competitors based on its ability to be the low cost producer is another factor that weighs heavily in the Company's investment decisions.

The Company maintains technical expertise and advantage in running and building hydro power plants built through several years of experience. In recent years where the Company has acquired geothermal plants, the Company has demonstrated its ability to acquire the skill and talent to operate these newly acquired plants at its expected level of operating standards. The Company intends to continue the strategy of hiring experienced talent for plants that will be constructed as part of its investment plan in the future. The Company may also choose to partner with entities that possess such expertise in plant types where it has limited technical expertise.

The Company's geographically scattered distribution business also provides a reliable customer base of approximately 685,000 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 utilities and generation companies, the Company is still below the grid limits restriction provided under EPIRA.

Risks Relating to Electricity Sales

Trading Risks

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 the factors outside of the Company's control, which include the following: over or under supply of capacities available to the market vis-à-vis market demand, transmission constraints, disruptions in the delivery chain, weather conditions, government power market and environmental regulations and legislation, and price sensitivities linked to the price of fuel.

These factors have caused and are expected to cause fluctuation or instability in the operating results of the generation companies, particularly of SNAP-Magat, SNAP-Benguet, TLI and APRI, as these companies sell substantial portions of the electricity they generate to the WESM.

Magat and Binga, AboitizPower's merchant hydroelectric plants, have the ability to store water equivalent to one month and two 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.

On sales made through the WESM, 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.

On the portion of its capacity that is not covered by bilateral contracts, TLI also 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 TLI.

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 favorable levels.

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 have predictable returns to a certain extent.

The Company also aims to achieve a balanced portfolio of contracted and merchant business. In the short-term, it will be contracting more of its power under price-stable bilateral contracts. For the companies that have fuel risk like TLI, it would be ideal for new bilateral contracts to have fuel costs as a pass through.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's trade accounts receivable. The Company's customers are NPC, distribution utilities, electric cooperatives and large end-users. The Company manages this risk through strict monitoring procedures and continuous discussions with its customers. Entities that purchase power from the WESM undergo credit evaluation by the Philippine

Electricity Market Corporation (PEMC), WESM's market operator, and are required to post prudential guarantees equivalent to their average monthly transaction.

Fuel Risks

Some of the Company's thermal plants – i.e., STEAG, CPPC, EAUC, CEDC and TMI – have contracts that allow for their fuel cost to be recovered from their tariffs. These companies also have existing long-term fuel supply contracts.

The SPPC and WMPC power plants are operated under ECAs with NPC. Under these agreements, NPC is required to deliver and supply to both plants the fuel necessary to operate these power plants for the duration of the cooperation period.

On the other hand, TLI has entered to long term coal supply contracts to meet the Pagbilao plant's coal requirements. With the tight coal supply situation in the market as a result of weather disturbances in the coal producing countries, TLI is looking and evaluating for alternative sources other than Indonesia to ensure security of supply.

As regards APRI's steam supply, it is possible that the steam resource will decline faster than anticipated. The Company believes that Chevron as steam contractor, the largest producer of geothermal energy in the world, mitigates the risks inherent in the supply of steam. Chevron has proven itself capable of managing the resource efficiently, having almost 40 years of experience in developing, operating and maintaining the Tiwi-MakBan steamfields.

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 20% 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.

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. The only time wherein the impounding advantage might be considered at risk would be during periods of severe drought.

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 cost and thus, have no marginal cost. 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.

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

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. This in turn had 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 IPPs could be adversely affected. These transmission constraints could have an impact on some of the generation companies' 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.

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

Under the PPAs between some of the distribution utilities, and IPPs (such as the generation companies) and power suppliers (such as NPC), the distribution utilities 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 utilities 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 utilities, 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 utilities' customers. Although the distribution utilities 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 utilities will be able to do so. As a result, if the distribution utilities 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 utilities' larger customers, taking into account economic projections. In addition, NPC contracts allow for 20% positive variances without penalties.

To mitigate this further, the distribution utilities 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 utilities of the Company.

The rates that the distribution utilities are allowed to charge their customers are largely determined by the ERC

The distribution utilities 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 utilities 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 utilities.

PBR replaces the RORB that was previously used to determine distribution charges. Under PBR, the distribution charges that distribution utilities can collect over a 4-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 utilities' projections prove inaccurate, the distribution charges the distribution utilities collect under the 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 charge approved by the ERC, whether under PBR or otherwise, will not be contested in and overturned by Philippine courts or that the distribution utilities 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 utilities and the Company's business, financial condition and results of operations.

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

CotabatoLight's 4-year regulatory period commenced on April 1, 2009 and ends on March 31, 2013. The ERC issued its final determination on CotabatoLight's application for approval of its annual revenue requirement and performance incentive scheme under the PBR scheme covering the second year of the 4-year regulatory period. Last December 2010, CotabatoLight submitted for ERC approval its rate translation adjustments covering the third year of its regulatory period.

VECO and DavaoLight are part of the third group (Group C) of private distribution utilities. Both VECO and DavaoLight started to implement their PBR approved rate structures in August 2010. Both companies are now preparing to file with the ERC their rate translation adjustments for the second year of its 4 year regulatory period.

For SFELAPCO and SEZ, the regulatory reset process is on its final stages and ERC is scheduled to release before the end of March 2011 its draft determination on the applications for annual revenue requirements and performance incentive schemes for the regulatory period October 2011 to September 2015. The draft determination will be subjected to public consultations before ERC releases its final determination on June 2011. Thereafter, SFELAPCO and SEZ will be filing their respective rate design applications for the first regulatory year to be implemented from October 2011 to September 2012.

In addition to the annual adjustments described above, PBR allows for rate adjustments in between the reset periods to address extraordinary circumstances. There is also a mandatory rate-setting every four years wherein possible adjustments to the rate take into account current situations.

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 removal of prompt payment and power factor discounts could adversely affect the margins of the distribution utilities

Prior to 2009, it was customary for NPC to grant a 3% Prompt Payment Discount (PPD) to its customers with the exception of Meralco. The discount is given if the customers' monthly bill is paid not later than the 10th day of the month succeeding the relevant billing period provided that the power bill is served to the customer not later than the 30th day of the relevant billing month. In the event that the power bill is served beyond the 30th day, the discount may continue to be availed until the 15th day of the relevant billing month. According to NPC, the underlying purpose in the practice of the PPD was to provide customers the incentive to improve their collection efficiencies, allowing them to pay their bills to NPC on time and minimize the build-up of accounts receivables across the chain.

The ERC's Guidelines for the Automatic Adjustment of Generation Rates and System Loss Rates by Distribution Utilities issued in 2004 and its amendment allows a distribution utility to keep 50% of the PPD. The other half is passed on to its customers.

In 2009 NPC informed its customers that it will discontinue granting the PPD starting the billing period June 26 to July 25, 2009. This decision was made on the ground that the PPD had failed to serve its purpose. The Private Electric Power Operators Association, Inc. (PEPOA) contested NPC's right to discontinue the granting of the PPD. The petition is still pending before the ERC. In the meantime, ERC had directed NPC to observe the status quo by continuing the grant of PPD to its customers pending the resolution of PEPOA's petition.

The PSAs between NPC and AboitizPower's distribution utilities provide for the granting of the PPD. These PSAs will be expiring within the next four years, hence it is anticipated that the PPD will only be available until these contracts expire. The distribution utilities' PSAs with IPPs do not provide for PPD.

The Power Factor Discount (PFD), on the other hand, is a discount originally extended by NPC, and later by Transco, to its transmission customers whose power factor is higher than 90%. The PFD is meant to give incentive to distribution utilities to invest and install power factor correcting devices, such as capacitors, to improve their power factors. Improved power factors of transmission customers reduce transmission losses and free up transmission system capacity, thereby benefiting the whole transmission grid.

The ERC, in Resolution No. 16 Series of 2007, as amended by Resolution No. 13 Series of 2008, mandated that the Net Power Factor Discount (NPFD) of a distribution utility should be shared equally between the distribution utility and its customers.

In 2009 NGCP, Transco's successor-in-interest, informed its customers that it would stop extending the PFD starting the billing period June 26, 2009 to July 25, 2009. PEPOA contested before the ERC NGCP's decision to discontinue the PFD. On June 30, 2009, the ERC ordered NGCP to maintain the status quo and directed NGCP to continue granting the PFD to its customers pending final determination on PEPOA's petition.

The distribution utilities' results of operations would be negatively affected to a certain extent should the ERC decide to uphold NPC's and NGCP's right to discontinue the grant of the PPD and PFD.

The distribution utilities' 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

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 utilities 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 utilities' 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 utilities purchase capacity or energy; and

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

Under the PBR, distribution tariffs are adjusted annually to account for depreciation of the peso against the US dollar, as well as other economic benchmarks including inflation, to determine an assigned Weighted Average Cost of Capital (WACC). Based on factors like projected assets, capital expenditures, operating expenditures for a given year, an annual revenue requirement is determined and this is divided over the kilowatt-hours projected to be sold by the distribution utility for the year. During the annual reset period, the PBR allows for rate adjustments to address extraordinary circumstances that may have affected the expected annual revenue requirement. An example of such circumstances is when the actual kilowatt-hours sold for the year falls below the kilowatt-hours projected to be sold in arriving at the annual revenue requirement.

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 utilities.

In addition, some of the distribution utilities have alternative sources of supply. VECO has existing PPAs with Cebu-based IPPs other than NPC (i.e. TPC, CPPC and CEDC), while DavaoLight and CotabatoLight 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

Although distribution utilities 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 utilities maintain constantly evolving anti-pilferage programs.

If the distribution utilities' electricity losses exceed government-mandated caps, their results of operations could be adversely affected

The distribution utilities 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 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 took effect in January 2010. In excess of the 8.5% ceiling, distribution utilities can no longer pass on to customers costs relating to electricity losses.

The following summarizes the electric losses of the Distribution Companies in 2010 and for 2009.

Systems Loss

	DavaoLight	CotabatoLight	VECO	SFELAPCO	SEZ	MEZ	BEZ
2010							
2009	7.94%	10.36%	9.14%	6.71%	2.47%	1.30%	2.13%

The distribution utilities, 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 utilities 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 utilities, are exposed to risk of penalty, fines, and depending on the gravity of breach, the termination of such franchise

Each of the distribution utilities 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 utility 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 utility, or by means of expropriation for reasons related to the public interest.

These franchises are granted for 25-year periods, with the distribution utilities' franchise periods ranging from 2014 (for Cotabato Light) to 2035 (for SFELAPCO). Under Philippine law, the franchises of the distribution utilities 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 utilities 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 utilities 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 utilities to realize the full value of their assets. Further, if any of the franchises is terminated for reasons attributable to a distribution utility, 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 utilities are managed using or applying world-class standards. Each of the distribution utilities 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 distribution utilities, which were due for renewal, had been effectively renewed and no franchise held by the distribution utilities 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 AboitizPower distribution utilities or 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 DavaoLight, 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 AboitizPower's distribution utilities' 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 utilities. Currently the total electricity purchased by the distribution utilities 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

Foreign exchange (forex) risks of AboitizPower's generation companies may arise either from the foreign currency requirements of their operations or their foreign denominated debts. Since the companies' revenues are in Philippine peso, any depreciation of the Philippine peso particularly with respect to the US dollar increases the peso equivalent value of these foreign currency denominated costs or debts and may impact the Company's results of operations.

Some of the forex risks arising from operations could include fuel (coal, oil and steam) costs which are denominated in US dollars.

On the other hand, significant portions of the long-term debt of SNAP-Magat and SNAP-Benguet, and half of the monthly payments of TLI to PSALM under the IPP Administration Agreement, are denominated in US dollars.

To manage its forex risks, the Company matches its revenue streams with its foreign currency denominated costs by (1) providing for pass through of fuel and forex risks under the power supply contracts of its generation companies; (2) selling some of the generated electricity to WESM since prices at the WESM are partly determined by coal and oil costs, and therefore correlated to the movements of the US dollar against the Philippine Peso. Despite these matching strategies, residual or net exposures to forex risks may still arise as movements between revenue streams and costs may not occur simultaneously. Thus, the Company explores other available hedging strategies to round up the Group's forex risk. In the case of SNAP-Magat and SNAP-Benguet, half of their dollar debts are hedged against the effects of movements in the U.S. dollar on revenues through non-deliverable forward contracts. The Group also enters into short-term currency hedging programs through non-deliverable forwards to hedge against unfavorable forex fluctuations.

Considering foreign exchange risks relating to the cost of parts and equipment, 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.

Although some of the operating expenses of the distribution utilities may be impacted by movements in the foreign exchange, annual inflation and currency adjustments are allowed to be compensated for detrimental movements under PBR. Thus, distribution utilities can recover adverse currency and inflationary movements on an annual basis.

Working Capital

For 2009, AboitizPower derived its working capital mainly from the steady cash flow generated and contributed by its subsidiaries and associates and, to a certain extent, from its capital raising activities for the year.

Sales

Comparative amounts[5] of revenue, profitability and identifiable assets are as follows:

	2010	2009	2008
Gross Income		23,174	12,243
Operating Income		5,456	1,653
Total Assets		111,341	47,272

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

[5] Amounts in mn

Comparative amounts[6] of revenue contribution by business grouping are as follows:

Business Segment	2010		2009		2008	
Power Generation			12,466	53%	2,985	24%
Power Distribution			10,734	46%	9,228	73%
Services			296	1%	328	3%
Total Revenue			**23,496**	**100%**	**12,541**	**100%**
Less: Eliminations			(322)		(298)	
Net Revenue			**23,174**		**12,243**	

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

Item 2. 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 (CPDC).

On a consolidated basis, the 2010 total property, plant and equipment of AboitizPower were valued at ---- bn as compared to ₱72.9 bn for 2009. The breakdown, as follows:

Property, Plant and Equipment as of December 31, 2010 & 2009

	2010	2009
Land		125,774
Buildings, Warehouses and Improvements		898,699
Powerplant & Equipment		66,628,765
Transmission, Distribution and Substation Equipment		4,553,427
Transportation Equipment		386,970
Office Furniture, Fixtures and Equipment		111,304
Leasehold Improvements		183,302
Electrical Equipment		1,651,908
Meter and Laboratory Equipment		358,801
Tools and Others		326,462
Construction in Progress		4,633,416
Less: Accumulated Depreciation and Amortization		(6,957,799)
TOTALS		**72,901,029**

Note: Values for the above table are in Thousand pesos

Locations of Principal Properties and Equipment of AboitizPower subsidiaries are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
CotabatoLight	Industrial land, buildings/plants, eqpt. & machineries	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light	Industrial land, buildings/plants, eqpt. & machineries	P. Reyes Street, Davao City; Bajada, Davao City	In use for operations
Hedcor, Inc.	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet; Bineng, La Trinidad, Benguet; Sal-angan, Ampucao, Itogon, Benguet; Bakun, Benguet	In use for operations

[6] Amounts in mn

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
Hedcor Sibulan	Hydropower plant	Santa Cruz, Sibulan Davao del Sur	In use for operations
CPPC	Bunker C thermal power plant	Cebu City, Cebu	In use for operations
APRI	Geothermal power plants	Tiwi, Albay Caluan, Laguna Sto. Tomas, Batangas	In use for operations
TMI	Barge-mounted diesel power plants	Nasipit, Agusan del Norte Barangay San Roque, Maco, Compostela valley	In use for operations

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.

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 (Amlan Power Holdings Corporation is now the IPP Administrator of the 70-MW Bakun hydropower facility following a competitive bidding process conducted by PSALM). 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 PEMC Board affirmed the recommendation of the technical committee. With the passage of the RE Law, LHC believes though that there is 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 Court of Appeals and the Supreme Court have affirmed the dismissal of the complaints.

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 mn, real property tax on VECO's electrical posts and transformers. The assessment was increased to ₱16.90 mn in 2004. On November 17, 2005, the assessment was further increased to ₱17.50 mn. In 2003, VECO paid under protest the amount of ₱2 mn. 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 mn 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 mn, inclusive of surcharges and penalties. LHC filed a protest letter with the Provincial Treasurer in December 2007 on the ground 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 mn, 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 the 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.

Trial for this case has been completed and the parties have submitted their respective formal offer of evidences. Case submitted for resolution.

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 mn 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 the national wealth tax case pending before the RTC of Benguet was 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. In view of the pending negotiations for settlement, the proceedings of this case have been suspended.

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 AboitizLand attacking the latter's legal basis to distribute power within the 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.

The parties to the case are currently trying to settle the case amicably. In view of this, the trial has been suspended until May 30, 2011.

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 mn, 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 (now Aboitiz Renewables, Inc.) 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 ARI 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 ARI against PHBI and its parent company, Pacific Hydro Limited (PHL), arose from PHBI's and PHL's tortious conduct including: (a) threatening and intimidating ARI 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 ARI to third persons.

ARI 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, ARI believes that PHBI and PHL cannot rightfully compel it to enter into the IPPA business with PHBI and PHL through LHC. Moreover, notwithstanding ARI'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 ARI.

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

(1) AboitizPower's common shares are traded on the PSE.

The high and low stock prices of AboitizPower's common shares for each quarter of 2008 to 2010 were as follows:

	2011		2010		2009		2008	
	High	Low	High	Low	High	Low	High	Low
First Quarter			12.75	8.60	4.65	3.90	5.60	4.50
Second Quarter			19.25	12.25	6.00	4.65	5.60	4.80
Third Quarter			21.80	18.00	6.70	5.30	6.00	4.85
Fourth Quarter			35.80	20.90	8.90	6.40	5.00	3.25

As of February 28, 2011, AboitizPower has 484 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of same date were 7,358,604,307 shares. The closing price of AboitizPower common shares as of __________ is ₱_____ per share.

(2) The top 20 stockholders of AboitizPower as of February 28, 2011 are as follows:

Name	Number of Shares	Percentage
1. ABOITIZ EQUITY VENTURES, INC.	5,622,113,063	76.40%
2. PCD NOMINEE CORPORATION (Filipino)	804,762,081	10.94%
3. PCD NOMINEE CORPORATION (Foreign)	584,666,672	7.95%
4. ABOITIZ & COMPANY, INC.	151,112,722	2.05%
5. ARMOZA MANAGEMENT & DEVELOPMENT CORPORATION	28,050,041	0.38%
6. SAN FERNANDO ELECTRIC LIGHT AND POWER CO., INC.	7,931,034	0.11%
7. UNIONBANK TISG AS INVESTMENT MANAGER FOR IMA #4B1-166-10	7,880,769	0.11%
8. PARRAZ DEVELOPMENT CORPORATION	7,827,522	0.11 %
9. KAYILKA HOLDINGS, INC.	7,783,834	0.11 %
10. LILOAN AGRO INDUSTRIAL DEVELOPMENT CORPORATION	6,051,405	0.08%
11. ABOITIZ, SABIN M.	6,050,985	0.08%
12. SIERRAROSA, INC.	5,892,110	0.08%
13. JOEMOR MANAGEMENT AND DEVELOPMENT CORPORATION	4,455,501	0.06%
14. BANILAD ESTATE, INC.	4,000,000	0.05%
15. EMETASI HOLDINGS, INC.	4,000,000	0.05%
16. RAMON ABOITIZ FOUNDATION, INC.	3,900,000	0.05%
17. ABOITIZ, IKER M.	3,177,545	0.04%
18. TAN BEN KUAN	2,750,000	0.04%
19. UBP T/A 4B1-153-09	2,484,698	0.03%
20. LMM HOMES MANAGEMENT & DEVELOPMENT	2,376,335	0.03 %

Name	Number of Shares	Percentage
CORP.		

(3) The cash dividends declared by AboitizPower to common stockholders from 2009 to 2011 are shown in the table below:

Year	Cash Dividend Per Share	Total Declared	Record Date
2011	₱ 1.32	₱ 9.71 bn	3/17/2011
2010	₱ 0.30	₱2.21 bn	3/24/2010
2009	₱ 0.20	₱1.47 bn	2/26/2009

AboitizPower 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 AboitizPower of major projects and developments requiring substantial cash expenditures or restrictions on cash dividend payments under its loan covenants.

(4) Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting and Exempt Transaction

(a) On December 18, 2008, AboitizPower availed a total of ₱3.89 billion under a Notes Facility Agreement dated December 15, 2008 with BDO Capital & Investment Corporation, BPI Capital Corporation, First Metro Investment Corporation, ING Bank N.V., Manila Branch as Joint Lead Managers. The Notes Facility Agreement provided for the issuance of five-year and seven-year peso denominated corporate notes in a private placement to not more than 19 institutional investors pursuant to Section 9.2 of the Securities Regulation Code (SRC) and Rule 9.2(2)(B) of the SRC Rules.

The total underwriting fees paid to the Joint Lead Managers for the issuance of the ₱3.89 billion corporate notes was ₱18.82 million.

(b) On September 28, 2009, AboitizPower issued five-year peso-denominated corporate fixed rate notes in the aggregate amount of ₱5 billion to a consortium of primary institutional lenders in a private placement made in accordance with Section 9.2 of the Securities Regulation Code (SRC) and Rule 9.2(2)(B) of the SRC Rules. The issuance of the ₱5 billion corporate notes was made pursuant to a Notes Facility Agreement with First Metro Investment Corporation as Issue Manager.

The total underwriting fees paid to the Issue Manager for the issuance of the ₱5 billion corporate notes was ₱24.19 million.

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

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

Year ended December 31, 2010 vs. Year ended December 31, 2009

This part is intentionally left blank.

Year ended December 31, 2009 vs. Year ended December 31, 2008

Key Performance Indicators

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

1. Share in Net Earnings (Losses) of associates. This represents the Group's share in the undistributed earnings or losses of its associates 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. Share in net earnings (losses) of associates indicate the profitability of the investments and the investees' contribution to the Group's net income.

   Manner of Computation: Associates 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 Consolidated 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 (5) key performance indicators for 2009 and 2008.

DISCUSSION ON KEY PERFORMANCE INDICATORS:

Key Performance Indicators	2009	2008
Amounts in thousands of ₱ s, except for financial ratios		
SHARE IN NET EARNINGS OF ASSOCIATES	2,535,386	2,784,511
EBITDA	9,866,532	5,406,974
CASH FLOW GENERATED:		
Net cash flows from operating activities	5,873,633	1,905,394
Net cash flows (used in) investing activities	(23,953,482)	(5,787,844)
Net cash flows from financing activities	7,721,594	5,049,159
Net Increase (Decrease) in Cash & Cash Equivalents	**(10,358,255)**	**1,166,709**
Cash & Cash Equivalents, Beginning	14,333,676	12,706,103
Cash & Cash Equivalent, End	3,814,906	14,333,676
CURRENT RATIO	0.68	2.12
DEBT-TO-EQUITY RATIO	2.18	0.54

Above key performance indicators are within management expectations.

The Company's Share in Net Earnings of Associates is slightly behind last year's results primarily due to the lower contributions from STEAG Power, operator of a 232-MW coal plant in Misamis Oriental, as it felt the impact of the decrease of a major index in its pricing formula which went down this year versus last year.

The positive effects brought about by the income contribution of the Company's new acquisitions during the year has vastly improved the Company's EBITDA which is up 82% versus the prior year. The EBITDA contributions from the geothermal assets under APRI starting May 2009 and the EBITDA contributions arising from the TLI's IPPA for the coal plants in Pagbilao which started in October 2009 were the main drivers of the increase in EBITDA.

Current ratio decreased due to the decrease in the Company's Consolidated Cash as capital got invested into various acquisitions made during the year.

To further augment the capital needed for its investment activities, the Company entered into various capital raising activities which increased its debt to equity ratio.

Financial Results of Operations

The Company's net income for 2009 grew by 31% to ₱5.77 billion from ₱4.42 billion for the same period last year. This lifted earnings per share to ₱0.77 for the year ending December 31, 2009 versus an earnings per share of ₱0.59 ending December 31, 2008.

The power generation business improved its contributions by 68% from prior year as it shored in a net income contribution of ₱4.66 billion from last year's ₱2.78 billion. The primary contributor to this year's impressive earnings is APRI, as it took over in May 2009 the geothermal facilities in Tiwi-MakBan from PSALM. On its first year of operations APRI manage to contribute 44% of the total income contribution of the generation group.

Total power sold by the generation companies for the period grew by 167% year-on-year (YOY) from 1,728 GWh to 4,619 GWh. As of end-2009, AboitizPower's power generation group had an attributable capacity of 1,745 MW, a 202% YOY increase from end-2008. It is this increase in attributable capacity resulting from the acquistions of APRI (467 MW) and the IPPA of TLI for Pagbilao (700 MW) which has led to the surge in generation sold by the Generation companies.

The distribution utilities' income contribution improved by 6% or ₱1.57 billion, from last year's ₱1.48 billion. The Distribution Companies' kilowatt-hour electricity sales for the period grew by 6% YOY, from 3,142 GWh to 3,322 GWh. The healthy growth particularly that of AboitizPower's major distribution utilities, DavaoLight and VECO-was observed to be coming from both its residential and commercial/industrial customers.

Material Changes in Line Items of Registrant's Income Statement

Consolidated net income attributable to equity holders grew by ₱1.32 billion or 31%. Below is a reconciliation of growth in the consolidated net income:

Consolidated Net Income Attributable to Equity Holders of the Parent for 2008	₱4,333,613
Increase in Operating Revenues	10,931,285
Increase in Operating Expenses	(7,127,623)
Decrease in Share in Net Earnings of Associates	(249,126)
Decrease in Interest Income	(197,568)
Increase in Interest Expense	(2,435,442)
Increase in Other Income	436,719
Higher Provision for Income Taxes	(12,806)
Increase in Minority Interests	(20,471)

Total Growth	1,324,968
Consolidated Net Income Attributable to Equity Holders of the Parent for 2009	₱5,658,581

Consolidated Operating Revenues increased by 89% versus last year. The increase in consolidated revenue is accounted for by the new revenue contributions by TLI since the turnover of dispatch control of the 700-MW Pagbilao plant in October 2009 and the revenue contributions from APRI geothermal plants that were turned over in May 2009. The revenues from these plants combined make up close to 90% of the increase in consolidated revenue. The remaining increase is attributable to the higher revenue brought about by growth and higher passed on generation costs by the distribution utilities.

As expected, as the operations of the new acquisitions are folded in, a corresponding increase in costs and expenses followed which increased operating expenses by 67% over last year. The costs and expenses of TLI and APRI, account for 83% of the increase while 11% of the increase was brought about by higher operating expenses at DLP due to higher purchased power costs.

The decrease in the share in equity earnings for the year is due to the lower contributions from STEAG, operator of a 232-MW coal plant in Misamis Oriental, as it felt the impact of the decrease of a major index in its pricing formula which went down this year versus last year. Share in net earnings of associates fell by 9% compared to last year or a total of ₱249 million.

As the Company's cash is deployed to various investing activities, the interest income compared to prior years has gone down by 33% or ₱197.57 million.

Interest expense also increased by 643% due to the various debt raising acitivites entered into by the Company namely: 1) Fixed Rate Note of five-year peso-denominated corporate fixed rate notes ("Notes") in the aggregate amount of ₱5 billion. The Notes were issued in September 2009, 2) a total of ₱3 billion worth of peso-denominated fixed rate retail bonds issued last April 2009, 3) ₱3.89 billion in five-year and seven-year peso-denominated corporate fixed rate notes issued last December 2008, 4) higher short-term bank loans. Another transaction that led to the increase of the interest expense for the year is the effect of TLI's IPPA which was accounted for as a finance lease. As a finance lease, incremental borrowing rates were used in order to recognize the asset and liability relating to the long-term obligation. Correspondingly, the discount determined at the inception of the agreement is amortized and recognized as interest expense. Although the recognition of the interest is a non-cash transaction, the interest expense recognized by TLI on its statement of income for the year on the finance lease was ₱1.23 billion.

Other Income increased by ₱436.72 billion mainly due to the unrealized forex gains recognized by TLI on future minimum dollar payments to PSALM as part of its IPPA agreement.

As a result of the foregoing, income before income tax increased by ₱1.36 billion or 27% from ₱5.04 billion in the previous year to ₱6.40 billion in the current year. Provision for taxes ending 2009 increased by 2% to ₱631.19 million from a prior period provision of ₱618.38 million.

Changes in Registrant's Resources, Liabilities and Shareholders Equity

Assets

Compared to year-end 2008 levels, consolidated assets increased by 136%, from ₱47.27 billion in December 2008 to ₱111.34 billion in December 2009 due to the following:

a. Cash & Cash Equivalents was at ₱3.81 billion, down by 73% from year-end 2008 level of ₱14.33 billion (as restated). Through the debt-raising activities entered into by AP Parent, total cash raised reached close to ₱11 billion. A significant portion of the Company's cash was then deployed to APRI thru PHC to fund the full payment for the geothermal assets from PSALM. The total purchase price for these assets totalled close to ₱21 billion. In 2009, cash was also used to pay shareholder dividends totalling ₱1.47 billion.

b. Trade & Other Receivables increased by 125%, from ₱1.99 billion to ₱4.48 billion due to the consolidated trade and other receivables of both TLI and APRI totalling ₱2.53 billion.

c. Inventories increased by 234% due to APRI's supplies and materials as well as coal inventory held by TLI.

d. The asset account for Property, Plant and Equipment considerably increased by 1065% from ₱6.26 billion in 2008 to ₱72.90 billion. APRI's newly acquired geothermal property, plant and equipment account for ₱19.91 billion, while TLI's finance lease recognition of the power plant and equipment on the Pagbilao assets added another ₱44.52 billion. The balance of the increase is due to the construction in progresss of the hydro plants being built by Hedcor Sibulan.

e. Investments in and Advances to Associates increased by 17% or a total of ₱3.55 billion due to additional investments in associates of ₱1.34 billion for a coal plant being constructed in Toledo, Cebu, and the recognition of equity earnings of ₱2.54 billion.

f. Increase of 283% in Pension Assets resulting from actuarial adjustments for DLP and CPPC which lead to the increase.

g. Deferred Income Tax Assets increased by ₱183.43 million or 276% primarily due to unrealized foreign exchange losses on dollar cash holdings and Net Operating Loss Carryover (NOLCO) recognized by AP Parent during the year.

h. Other Noncurrent Assets increased by 132% or ₱879.62 million due to prepaid rent of ₱460.87 million mostly on advance payment of land rental to PSALM by APRI and the build up of Input Vat Receivable due to the construction of a hydropower plant by Hedcor Sibulan.

Liabilities

Consolidated liabilities increased to a total of ₱76.29 billion, a 360% increase over year-end 2008 level. The following were the reasons for the increase:

a) Bank Loans increased by 21% or ₱1.03 billion due to AP Parent's availment of a short-term bank loan to support its investment activities.

b) Trade and Other payables increased by 91% from ₱3.15 billion in 2008 to ₱6.02 billion ending 2009 due to the first-time consolidation of both APRI and TLI trade payables and accruals.

c) The first-time recognition of Derivative Liabilities of ₱16.48 million represents the booking of marked to market losses on foreign currency forwards entered into by AP Parent and Therma Marine.

d) Income Tax Payable increased by 349% or ₱283.79 million due to TLI's recognition of income tax payable for the year.

e) Long-term Debts were increased by 149% or ₱9.73 billion versus year-end 2008 level by the following: 1) Fixed Rate Note of five-year peso-denominated corporate fixed rate notes ("Notes") in the aggregate amount of ₱5 billion. The Notes were issued in September 2009 2) a total of ₱3 billion worth of peso-denominated fixedrate retail bonds issued last April 2009. The proceeds from these debt-raising activities were invested into the acquisition of the geothermal assets of APRI. The remaining increase is because of additional loan drawdowns made by Hedcor Sibulan to finance the construction of its Sibulan hydropower project.

f) A new liability account this year is the account – Finance Lease Obligation. The Pagbilao IPPA agreement between PSALM and TLI was deemed a finance lease. As a finance lease the lease is conceived to be a purchase of an asset requiring the recognition of an asset (booked under property, plant and equipment) and a corresponding liability. The amount recognized as of end 2009 as Finance Lease Obligation is ₱45.59 billion.

g) An increase in Customers' Deposits of 13% or ₱210.02 million was due to new connections mainly in the franchise areas of DLP as it continues to see robust growth in its customer base. DLP's increase in customer deposits makes up 83% of the total increase. The balance is coming from increased customer deposits from CLP, SEZ and APRI.

h) Payable to Preferred Shareholder of a Subsidiary went down by 9% as annual payments were timely made to preferred shareholders.

i) Pension liability increased by 95% or ₱13.69 million due to the recognition of pension obligations of newly consolidated company APRI and an increase in pension liabilities at Hedcor, Inc., CLP and AP Parent.

j) Deferred Income Tax Liability decreased by 36% or ₱21.02 million due to the realization of forex transactions in 2009 for AP parent that previously warranted the booking of the deferred tax liability in the previous year.

Equity

Equity attributable to equity holders of the parent increased by 14% from ₱30.16 billion as of December 2008 to ₱34.48 billion as of December 2009. This was mainly due to the consolidated net income of ₱5.77 billion, an upward adjustment in share in cumulative translation adjustments of associates of ₱133.67 million and after a cash dividend payment of ₱1.47 billion in the first quarter of 2009.

The Company declared dividends of ₱0.20 per share to all shareholders of record as of February 26, 2009. This was paid on March 23, 2009.

Material Changes in Liquidity and Cash Reserves of Registrant

As of December 31, 2009, the Group's cash reserves ended with a balance of ₱3.81 billion a 73% decrease from its balances as of December 31, 2008 of ₱14.33 billion (as restated). This was after major investing and financing activities conducted during most of the year.

Net cash from operating activities brought in ₱5.87 billion this year compared to net cash inflow of only ₱1.91 billion for the same period last year. The higher income before income tax of ₱6.40 billion is the primary driver of the increase.

Net cash used in investing activities was ₱23.95 billion compared to ₱5.79 billion for the same period last year. The primary investing activity for the period was the purchase of the geothermal assets of Tiwi-MakBan from PSALM, for ₱20 billion. The construction in progress by Hedcor Sibulan for its hydro plant in Mindanao is still ongoing adding another ₱1.91 billion in cash used for investing activities. Another ₱1.34 billion went to the construction of a coal plant in Toledo, Cebu.

Net cash from financing activities for the period in review was ₱7.72 billion, which was mainly the net result of inflows of long-term debt in the amount of ₱9.76 billion, of which AP Parent raised fixed rate notes of ₱5 billion and ₱3 billion in corporate bonds. There was also an increase in long term debt relating to the Hedcor Sibulan project as more draw downs were made in 2009. Short-term loans from banks of ₱1.14 billion were availed of by AP parent as part of the purchase for the geothermal assets, and by subsidiaries to fund working capital requirements. There were also cash outflows for the ₱1.47 billion dividend payout in the first quarter of 2009 as well as interest paid during the period totalling another ₱1.47 billion.

The Company finished the year with net cash outflows of ₱10.36 billion. The cash and cash equivalents for the period ending December 31, 2009 was ₱3.81 billion versus cash and cash equivalents as of December 31, 2008 of ₱14.33 billion (as restated). This is consistent with management's plan of raising capital and to deploy cash raised from these activities to acquire existing power facilities and develop Greenfield projects as well as to improve its generation and distribution facilities.

Financial Ratios

Current ratio decreased by 1.44, from 2.12x as of December 2008 (as restated) to 0.68x in December 2009. This was due to the marked decrease in cash used to finance investment activities although the recognition of trade receivables and inventory buffered the decrease in cash. This was also brought down by the increase in current liabilities due to higher bank loans incurred in 2009 to fund working capital requirements and due to higher trade and other payables as well as the recognition of the current portion of the Finance Lease Obligation. The use of the cash raised from the capital raising activities during the year 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 0.54 as of December 31, 2008 to 2.18 as of December 31, 2009 as AP raised debt to fund its various investing activities.

Year ended December 31, 2008 vs. Year ended December 31, 2007

DISCUSSION ON KEY PERFORMANCE INDICATORS:

Key Performance Indicators	2008 (As restated)	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	1,905,394	4,040,389
Net cash flows (used in) investing activities	(5,787,844)	(8,644,866)
Net cash flows from financing activities	5,049,159	16,613,532
Net Increase in Cash & Cash Equivalents	**1,166,709**	**12,009,055**
Cash & Cash Equivalent, Beginning	12,706,103	912,564
Cash & Cash Equivalent, End	14,333,676	12,706,103
CURRENT RATIO	**2.12**	**2.43**
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 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 in 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% YOY. 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 year-end 2007. This is consistent with the Company's long-term plan of improving shareholder value by deploying capital into highyielding 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 in 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% 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 11% 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 3% 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 13% year-on-year, from 2,789 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% YOY 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 70% YOY 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%. 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 Operating Revenues	930,989
Increase in Operating Expenses	(1,261,818)
Growth from Share in Net Earnings of Associates	(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 operating revenues grew by 8% versus the same period last year. The distribution subsidiaries' consolidated revenues increased by ₱430.19 million, a 5% 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 36%.

On the other hand, the consolidated revenues of the power generation business recorded a strong growth of 19% 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 months revenue contribution for the 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 14% 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 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 in 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 84%. 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 92% 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 mostly due to the unrealized forex gains from the AP Parent's dollar denominated cash balances.

As a result of the foregoing, income before income tax increased by ₱133.29 million or 3% over the same period a year ago. Provision for taxes decreased by almost 3% 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 31%, from ₱36.18 billion in December 2007 to ₱47.27 billion in December 2008, due to the following:

a. Cash & Cash Equivalents was at ₱14.33 billion (as restated), up by 31% from year-end 2007 level of ₱12.71 billion (as restated). 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 first 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 20%, 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. Inventories decreased by 11% due to the purchase of inventories before yearend 2007 for purposes of conducting programmed schedule of maintenance and use in Capex projects in 2008.

d. Other Current Assets increased by 59%, 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 53% 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 ARI.

f. Intangible Assets-Service Concession Rights increased by ₱192 million or 29% primarily due to new capital expenditures by SEZ and MEZ which were booked as intangible assets following their adoption of IFRIC 12.

g. Investments in and Advances to Associates increased by 46% 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% in available for sale investments deemed to have decreased in value.

i. Decrease in Pension Assets by 66% resulting from the decreased contributions on retirement fund.

j. Deferred tax assets increased by 10% 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% and is mainly representing the unamortized portion of remittances made by a subsidiary, SEZ, on various lease agreements with SBMA.

Liabilities

Consolidated liabilities increased to a total of ₱16.58 billion, an 88% increase over year-end 2007 level. The following were the reasons for the increase.

a) Bank Loans increased by 44% or ₱1.45 billion due to the availment of credit lines by some of the companies subsidiaries 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 17% due to advances payable by subsidiary Abovant to shareholders to fund infusions into CEDC.

c) Income Tax Payable was lower by 27% due to lower income tax provision recorded during the period under review.

d) Long-term debt increased by 678% or by ₱5.68 billion versus year-end 2007 level. This is due to the ₱3.89 billion in fixed rate notes of AP Parent availed of last December 2008 as well as Hedcor Sibulan's availment of ₱1.72 billion long-term debt to finance the construction of its 42.5-MW hydropower project and SEZ's refinancing of its longterm debt.

e) An increase in customers' deposit of 14% 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% as annual payments were timely made to preferred shareholders.

g) Pension liability decreased by 6% as a result of lower pension obligations of AP Parent and PHC.

h) Deferred Income Tax Liability increased by 52% 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 13% 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 ₱14.33 billion (as restated) 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 ₱1.90 billion this year compared to the net cash inflow of ₱4.04 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 year's cash from operations was mostly from cash flows from higher income before income tax in 2008.

Net cash used in investing activities was ₱5.79 billion compared to ₱8.64 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 ₱5.05 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 ₱14.33 billion (as restated) for the period ending December 31, 2008 was 13% higher than the cash balance of ₱12.71 billion in December 31, 2007. With the significant cash balances management will be able to continue with its plan to deploy cash raised to improve its generation and distribution facilities, acquire existing power facilities and develop Greenfield projects.

Financial Ratios

Current ratio decreased by 0.31, from 2.43x as of December 2007 to 2.12x in December 2008 (as restated). 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.

Item 7. Financial Statements

The consolidated financial statements of AP are incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Information on Independent Accountant and Other Related Matters

(A) External Audit Fees and Services

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

Fee Type	2010	2009
Audit Fees		300,000
Other Fees		
Total		300,000

As a matter of policy, the Company's Audit Committee recommends 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 2010 and 2009 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.

(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The SGV accounting firm has been AboitizPower's Independent Public Accountant for the last 12 years. Mr. J. Carlitos G. Cruz served as audit partner of AboitizPower since 2009. He replaced Mr. Ladislao Z. Avila who served as audit partner for five years from 2004 to 2008. AboitizPower 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 12 years where AboitizPower and SGV or the handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosured or auditing scopes or procedures.

For the 2011 Annual Stockholders' Meeting, a proposal to delegate to the Board of Directors and/or the Board Audit Committee the authority to appoint the Company's external auditors for 2011 will be submitted for the approval of the shareholders. The proposal is intended to give the Audit Committee sufficient time to evaluate the different auditing firms who may act as AboitizPower's external auditor for 2011.

PART III. CORPORATE GOVERNANCE

AboitizPower 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. To ensure compliance, copies of the Manual and the Code were disseminated to the Board of Directors, management and employees of AboitizPower. Company-wide orientations on the Manual and the Code were conducted as well.

AboitizPower 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 of the Manual and existing laws and regulations. Together with the Human Resources Department, the Compliance Officer also ensures the implementation of AboitizPower's rule against conflict of interests and the misuse of inside and proprietary information throughout the organization. The Compliance Officer regularly reports to the Board Governance Committee and the Board Audit Committee the Company's compliance status with existing laws and regulations, as well as the Board's and employees' compliance with internal governance policies.

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 Audit, Board Corporate Governance, and Board Risk Management – report regularly to the Board and are crucial in 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.

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 2010, the Board held nine regular and special meetings. Below is a summary of the attendance of the Directors:

DIRECTOR	REGULAR MEETING	SPECIAL EXECUTIVE STRATEGY SESSIONS	REGULAR MEETING	SPECIAL MEETING	REGULAR MEETING	REGULAR MEETING	REGULAR MEETING	SPECIAL EXECUTIVE STRATEGY SESSIONS	REGULAR MEETING	TOTAL NO. OF MEETINGS ATTENDED BY EACH DIRECTOR	PERCENTAGE OF MEETINGS ATTENDED BY EACH DIRECTOR

	Jan 13	Feb 8	March 10	March 31	May 17	July 14	Sept 15	October 13	Nov 12		
Enrique M. Aboitiz Jr.	P	P	P	P	P	P	P	P	P	9/9	100%
Jon Ramon Aboitiz	P	A	P	P	P	P	P	P	P	8/9	88.88%
Erramon I. Aboitiz	P	P	P	P	P	P	P	P	P	9/9	100%
Antonio R. Moraza	P	P	P	P	P	P	P	P	P	9/9	100%
Mikel A. Aboitiz	P	P	P	P	P	P	P	P	P	9/9	100%
Jaime Jose Y. Aboitiz	A	P	P	P	P	P	P	P	P	8/9	88.88%
Jose R. Facundo (Ind. Director)	P	P	P	P	P	P	P	P	P	9/9	100%
Romeo L. Bernardo (Ind. Director)	P	P	P	P	P	P	P	P	P	9/9	100%
Jakob Disch (Ind. Director)*	-	-	-	P	A	P	P	P	P	5/6	88.33%
TOTAL NO. OF DIRECTORS PRESENT IN EACH MEETING	7/8	7/8	8/8	9/9	8/9	9/9	9/9	9/9	9/9		
PERCENTAGE OF NO. OF DIRECTORS PRESENT IN EACH MEETING	87.50%	87.50%	100%	100%	88.88%	100%	100%	100%	100%		

Legend: P – Present A – Absent
** Mr. Jakob Disch was appointed on March 10, 2010 as replacement to the late AP director Mr. Ernesto Aboitiz and was elected on May 18, 2010 as Independent Director.*

Corporate Governance Initiatives

During its regular meeting last February 12, 2009, the Board of Directors of AboitizPower 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.

In the Amended Manual on Corporate Governance submitted to the SEC on September 24, 2009, the Investor Relations Committee was dissolved and the Board Nominations and Compensation Committee merged with the Board Corporate Governance Committee. It is now called the Board Corporate Governance Committee.

On a regular meeting held on May 17, 2010, the Board approved an amendment to the Company's Amended Manual on Corporate Governance consisting of the folding in of the responsibility of the Board Strategy Committee. As decided by the Board, the functions of the Board Strategy Committee are now subsumed under the functions of the Board of Directors.

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

- **The Board Corporate Governance Committee** 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. Independent Directors comprise majority of the voting members of the Board Corporate Governance Committee.

Chairman: Mikel A. Aboitiz; Members: Erramon I. Aboitiz, Jose R. Facundo, Romeo L. Bernardo, Jakob Disch; Ex-Officio Members: M. Jasmine S. Oporto, Sebastian R. Lacson, Xavier Jose Aboitiz

- **The Board Audit Committee** shall represent the Board in discharging its responsibility related to audit matters for the Group. Independent Directors comprise majority of the voting members of the Board Audit Committee.

  Chairman: Jose R. Facundo, Romeo L. Bernardo, Jakob Disch, Mikel A. Aboitiz, Jaime Jose Y. Aboitiz; Ex-Officio Members: Iker M. Aboitiz, Rolando C. Cabrera

- **The Board Risk Management Committee** shall represent the Board in discharging its responsibility relating to risk management related matters around the Group.

  Chairman: Antonio R. Moraza; Members: Erramon I. Aboitiz, Jose R. Facundo, Jakob Disch; Ex-Officio Members: Iker M. Aboitiz, Rolando C. Cabrera

SUMMARY OF THE MINUTES OF THE 2010 ABOITIZPOWER ANNUAL STOCKHOLDERS' MEETING

The meeting was called to order on May 17, 2010 at 11:00 a.m. by the Chairman of the Board, Mr. Enrique M. Aboitiz Jr.

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 17, 2010 was approved.

The body passed the following resolutions:

1. Approval of the 2009 Annual Report and Financial Statements
2. Delegation of the Authority to Elect the Company's External Auditors for 2010 to the Board of Directors
3. Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management up to May 17, 2010
4. Approval of Directors' Compensation and Per Diem for 2010
5. Election of the Board of Directors

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