COVER SHEET

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S.E.C. Registration Number

ABOITIZ POWER CORPORATION

(Company's Full Name)

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

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

ATTY. M. JASMINE S. OPORTO
Contact Person

032-411-1804
Company Telephone Number

1 2 3 1
Month *Day*
Fiscal Year

2nd Quarterly Report
1 7 - Q
FORM TYPE

3rd Monday of May
0 5 1 6
Month *Day*
Annual Meeting

Secondary License Type, if Applicable

S E C
Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

x
Domestic

Foreign

- -

To be accomplished by SEC Personnel concerned

File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended JUNE 30, 2012

2. Commission identification number C199800134 3. BIR Tax Identification No. 200-652-460

4. Exact name of issuer as specified in its charter

ABOITIZ POWER CORPORATION

5. Province, country or other jurisdiction of incorporation or organization

Cebu City, Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code

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

8. Issuer's telephone number, including area code

(032) 411-1800

9. Former name, former address and former fiscal year, if changed since last report N.A.

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Stock P1 Par Value	7,358,604,307
Amount of Debt Outstanding	72,306,738,000

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

Yes [x] No [ ]

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

Philippine Stock Exchange Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ ] No [x]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of Aboitiz Power Corporation's (AP, AboitizPower or the Company) consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying schedules and disclosures set forth elsewhere in this report.

Top Five Key Performance Indicators

Management uses the following indicators to evaluate the performance of registrant AboitizPower and its subsidiaries (the Company and its subsidiaries are hereinafter collectively referred to as the "Group"):

1. **Share in Net Earnings of Associates.** Share in net earnings (losses) of associates represents the Group's share in the undistributed earnings or losses of its investees for each reporting period subsequent to acquisition of said investment, net of goodwill impairment cost, if any. Goodwill is the difference between the purchase price of an investment and the investor's share in the value of the net identifiable assets of the investee at the date of acquisition. Share in Net Earnings of Associates indicates profitability of the investment and investees' contribution to the group's net income.

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

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

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

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

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

The table below shows the comparative figures of the top five key performance indicators for the first six months of 2012 and 2011, and as of December 31, 2011:

Amounts in thousands except for financial ratios

	June 30, 2012	June 30, 2011	Dec. 31, 2011
SHARE IN NET EARNINGS OF ASSOCIATES	**5,339,075**	3,638,965	
EBITDA	**16,991,121**	15,732,635	
CASH FLOW GENERATED:			
Net cash flows from operating activities	**13,454,767**	10,694,448	
Net cash flows from (used in) investing activities	**1,903,338**	(919,039)	
Net cash flows used in financing activities	**(13,272,261)**	(7,853,043)	
Net increase in cash & cash equivalents	**2,085,844**	1,922,366	
Cash & cash equivalents, beginning	**23,391,561**	18,301,845	
Cash & cash equivalents, end	**25,423,551**	20,220,355	
CURRENT RATIO	**3.45**		3.46
DEBT-TO-EQUITY RATIO	**1.16**		1.19

The Company's Share in Net Earnings of Associates increased by 47% compared to the same period last year. The following companies income contributions accounted for the increase:

- Higher contributions from both SN Aboitiz Power-Magat, Inc. (SNAP-Magat) and SN Aboitiz Power-Benguet, Inc. (SNAP-Benguet). SNAP –Magat continues to enjoy high acceptance of its nominated capacities under its ancillary contracts with National Grid Corporation of the Philippines (NGCP). SNAP – Benguet has managed to increase sales this period owing to the completion of the rehabilitation of some of the hydropower plant units in Ambuklao and Binga. Both companies also realized higher revenues from spot market sales due to favorable spot market prices during the period.

- Cebu Energy Development Corporation (CEDC) provided higher contributions in the second half of 2012 compared to that of 2011. In the first quarter of 2011, a significant portion of its revenues was billed under pre-commercial operating discounted tariffs compared to contracted tariffs upon commercial operations in all of the six months of 2012. CEDC also managed to realize higher margins on its sales to the Visayas Spot Market.

- Visayan Electric Company, Inc. (VECO) posted higher earnings contribution from higher margins as a result of the continued implementation of its approved distribution tariff under the Performance Based Regulation (PBR) scheme. It also continues to experience a strong demand leading to higher electricity sales during the period.

Current ratio is close to flat from 3.46 in December 2011 to 3.45 as of June 30, 2012. Debt to equity ratio had a slight improvement from 1.19 as of December 2011 to 1.16 as of June 31, 2012. The increase in Equity as a result of income recognized during the period exceeded the minimal increase in the Company's liabilities.

Results of Operations

The Company managed to exceed last year's performance by 15% due to the increase in Consolidated net income of ₱12.18 bn from ₱10.59 bn.

Non-recurring gains from the revaluation of consolidated dollar loans and placements brought in ₱945 mn in forex gains. Gains from the redemption of preferred shares by an associate were offsetted by higher fuel costs on reimbursements to be made to a steam supplier, as well as debt prepayment costs incurred at the Parent level, all of which added up to ₱283 mn in one off losses. All of the above led to a Core net income for the period of ₱11.52 bn from last year's ₱9.92 bn which translates to a 16% increase.

Power Generation

The generation group accounted for 89% of the total earnings of the Company's business segments. It contributed ₱11.33 bn, which is 11% higher than the same period last year. Core Net income for the generation group came in at ₱10.59 bn, a 12% improvement over last year's ₱9.46 bn. The higher income contribution of the generation group was driven by both price and sales volume factors. The group managed to sell at favorable prices mainly on its sales to the Wholesale Electricity Spot Market (WESM). WESM prices increased due to the combined effects of shortfall in supply as higher plant outages in Luzon was experienced in the first half of the year, coupled with higher demand for electricity due to much warmer temperatures. These led to the 7% favorable variance on the group's average selling price for its power.

Net generation for the quarter grew by 10% Year-on-Year (YoY) from 4,628 GWh to 5,096 GWh, as the group managed to increase sales through its bilateral contracts by 14%. On a capacity basis, the Company's attributable sales increased by 13% YoY from 1,351 MW to 1,530 MW. This was on the back of rising capacity sales through bilateral contracts and improved levels of ancillary services.

Total attributable capacity of the group went up slightly to 2,350 MW as of end June 2012, owing to the completion of the rehabilitation of all 3 units in Ambuklao, 1 unit of Binga and the commercial operation of the Irisan Greenfield Hydropower plant which added 4 MW.

Power Distribution

The distribution group grew its income contribution for the first six months by 38%, contributing ₱1.41 bn from last year's ₱1.02 bn.

The growth in the group's income comes from higher gross margins as approved PBR tariffs were implemented. The Subiz Enerzone (SEZ) and San Fernando Electric Light & Power Co., Inc. (SFELAPCO) were the last batch of distribution utilities of the Group to shift to PBR. Approved tariffs at both companies were implemented in January 2012 and March 2012, respectively.

In the first semester of the year, the distribution group also saw contributions coming from growth in electricity sales which grew by 7% YoY from 1,814 GWh to 1,949 GWh. The strongest increase came from industrial sales which went up by 9%, while residential sales went up by 6% and commercial sales increased by 4%.

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

Consolidated Statements of Income

(January – June 2012 vs. January – June 2011)

Consolidated net income attributable to equity holders of the parent increased by 15% from ₱10.59 bn for the first six months of 2011 to ₱12.18 bn for the same period in 2012. The various movements in the revenue and expense items are shown below to account for the increase:

Consolidated net income attributable to equity holders of the parent (January – June 2011)	₱10,594,339
Increase in operating revenues	4,001,259
Increase in operating expenses	(4,401,219)
Increase in share in net earnings of associates	1,700,110
Increase in interest income	98,171
Increase in interest expense	(165,560)
Increase in other income	713,333
Higher provision for taxes	(186,531)
Increase in income attributable to non-controlling interests	(170,923)
Total	1,588,640
Consolidated net income attributable to equity holders of the parent (January – June 2012)	**₱12,182,979**

<u>Operating Revenues</u>

(15% increase from ₱27.27 bn to ₱31.27 bn)

Consolidated operating revenues from the distribution group grew by ₱1.18 bn. Out of the total increase, 64% came from higher revenues at Davao Light & Power Company, Inc.'s. (Davao Light) due to its PBR adjusted tariffs and higher electricity sales. Higher revenues, accounting for 30% of the increase in the distribution group's operating revenues, were also noted at SEZ as it implemented its PBR rates in January 2012.

The generation group managed to bring in ₱23.19 bn in Operating Revenues versus ₱20.42 bn in the prior year. Over half of the ₱ 2.77 bn increase is attributed to Therma Luzon, Inc. (TLI) due to higher electricity sales, which was up by 19%.

Revenues at AP Renewables, Inc. (APRI) likewise went up by close to 10% as it managed to sell at higher selling prices compared to prior year.

Luzon Hydro Corporation's (LHC) Operating Revenues which are consolidated this reporting period, which added ₱322 mn to the consolidated operating revenues account of the Company.

Operating Expenses
(26% increase from ₱17.08 bn to ₱21.49 bn)

The ₱4.40 bn increase in consolidated operating expenses was the result of the higher cost to operate at the following companies:

- Higher operating expenses at APRI due to higher steam costs;
- Higher consolidated operating expenses from LHC which was further increased due to expenses incurred on tunnel repair made during the year;
- A 25% increase in operating expenses at TLI due to higher coal expenses driven by higher energy sales and higher fuel costs; and
- Higher fuel costs at Therma Marine, Inc. (TMI).

Share in Net Earnings of Associates
(47% increase from ₱3.64 bn to ₱5.34bn)

The ₱1.70 bn increase in the Share in net earnings of associates are mainly coming from the contributions of SNAP –Magat and SNAP-Benguet, which managed to contribute more compared to last year by ₱1.25 bn and ₱479 mn, respectively. SNAP-Magat continues to realize high acceptance of its ancillary service nominations leading to higher ancillary revenues, while SNAP-Benguet managed to sell to the spot market at higher selling prices than the previous year.

CEDC also had higher contributions this year owing to contracted tariffs in the six months of the year compared to pre-operating selling prices in the first two months of last year. CEDC sales to the Visayas Spot Market further augmented its bottom line contributions.

VECO continues to provide higher contributions driven by better gross margins and higher electricity sales.

Interest Income
(33% increase from ₱294mn to ₱392mn)

Average cash balances held by the Company and its subsidiaries were higher in the first six months of 2012 compared to same period in 2011.

Interest Expense
(5% increase from ₱3.54 bn to ₱3.71 bn)

The increase in interest expense is largely due to higher accreted interest on the finance lease obligation of TLI. In addition, interest expense of the consolidated subsidiary LHC was recognized during the period in review.

Other Income (Expenses)
(132% increase from ₱542 mn to ₱1.26 bn)

The increase in other income is mainly due to higher foreign exchange (FX) gains from the restatement of the dollar-denominated debt of TLI. TLI recorded an FX gain this year of ₱857 mn versus ₱148 mn of prior year.

Net Income Attributable to Non-controlling Interests

The 182% increase in net income attributable to minority interests was mainly due to the increase in Abovant Holdings, Inc.'s recognized portion from CEDC's contributions and Cebu Private Power Corporation's (CPPC) net income, 40% of which belongs to minority shareholders.

Consolidated Statements of Comprehensive Income
(January – June 2012 vs. January – June 2011)

Consolidated comprehensive income attributable to equity holders of the parent increased by 15% YoY from ₱10.53 bn to ₱12.11 bn. This was mainly due to the increase in the consolidated net income for the period under review.

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

Assets
(June 30, 2012 vs. December 31, 2011)

Total assets increased by 3% from ₱153.53 bn as of December 31, 2011 to ₱157.61 bn as of June 30, 2012. The significant accounts contributing to the ₱4.08 bn increase in total assets are discussed below:

a) Cash and cash equivalents increased by 9% (from ₱23.39 bn in December 2011 to ₱25.42 bn in June 2012). The ₱2.03 bn increase in this account is attributable to cash flows generated from operations. This is net of (i) payments made to pay down debt by the parent company; (ii) proceeds of the long term loan availed by LHC; and (iii) dividend payments in the first half of the year.
b) Trade and other receivables decreased by 6% (from ₱9.51 bn in December 2011 to ₱8.90 bn in June 2012). The decrease was mainly due to the receipt of the dividend payments in the first quarter of this year in the amount of ₱2.50 bn which were recognized as dividends receivables at year end 2011. Offsetting this decrease was the increase in Trade Receivables of TLI and APRI.
c) The 13% (₱273 mn) decrease in inventories is due to lower inventory balances held at TLI.
d) Other current assets increased by 55% (from ₱1.11 bn in December 2011 to ₱1.72 bn in June 2012) mainly due to the build-up of input Value Added Tax (VAT) by the power generation subsidiaries during the period in review.
e) The investment and advances accounts increased due to the recognition of the equity earnings in associates during the period, net of dividends received.
f) Deferred income tax assets increased by 42% or ₱95 mn due to the effect of the various provisions made by TLI and APRI.

Liabilities
(June 30, 2012 vs. December 31, 2011)

Consolidated liabilities slightly increased from December 31, 2011 balances of ₱83.34 bn to June 30, 2012 balances of ₱84.76 bn. The various significant movements in the accounts making up total liabilities are shown below.

a) Bank loans decreased by 34% (from ₱1.61 bn in December 2011 to ₱1.06 bn in June2012) as a result of the payments made by Davao Light on the short term loan that was taken out to meet its short term working capital requirements.

b) Payable to preferred shareholders of a subsidiary inclusive of current portion decreased by ₱17 mn as payments to preferred shareholders were made in the first quarter of the year.

c) Income tax payable increased by 35% (from ₱143 mn in December 2011 to ₱192 mn in June 2012) mainly due to the higher current tax provision of the Group arising from higher earnings.

d) Long term debt decreased by ₱1.62 bn. The final payment made upon maturity of the Parent Company's 3 Year Peso Fixed Rate bonds totaling ₱706 mn, as well as the early redemption of the Parent Company's 5 Year Peso Fixed Rate Bonds totaling ₱2.29 bn, account for the decrease in Long term debt. An increase of ₱ 1.70 bn in long term debt by LHC was offsetted by the timely payments of Hedcor Sibulan, Inc. (Hedcor Sibulan), CPPC and Hedcor, Inc. (Hedcor) on their respective long term obligations.

e) Total Finance lease obligations at TLI increased by 2% or ₱1.3 bn as currently accreted interest expenses on the finance lease obligation exceeds the amount of monthly payments made to Power Sector Assets and Liabilities Management Corporation (PSALM).

f) Customer Deposits increased by 6% or ₱120 mn due to the deposits made at Davao Light as a result of the expansion of its customer base.

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

Equity
(June 30, 2012 vs. December 31, 2011)

Equity attributable to equity holders of the parent increased from ₱68.56 bn as of December 31, 2011 to ₱70.95 bn as of June 30, 2012, after dividend payments were made totaling ₱9.71 bn and as income for the current period is recognized.

Material Changes in Liquidity and Cash Reserves of Registrant
(January –June 2012 vs. January – June 2011)

Cash and cash equivalents grew from ₱20.22 bn as of June 30, 2011 to ₱25.42 bn as of June 30, 2012.

Cash flows from operating activities which continues to be the robust source of cash flows for the

Company, added ₱13.45 bn to the Company's cash and cash equivalents for the six months of the current year, after recognizing strong earnings for the period.

Cash flows from investing activities brought in ₱1.90 bn in cash flows mainly from ₱4.22 bn in dividends received and net of ₱2.99 bn in investments in property plant and equipment.

Significant movements in cash used in financing activities happened in the first half of the year. Cash dividends were paid totaling ₱9.71 bn. The Parent company paid close to ₱3 bn in maturing and early redemption of Fixed Rate Bonds. During the period, proceeds from the long term loan of LHC added ₱ 1.71 bn to the groups cash flows from financing activities which was offsetted by payments made on the long term debts of CPPC, BEZ, Hedcor Sibulan and Hedcor

Financial Ratios

Current ratio remained almost flat from 3.46x to 3.45x due to the 5% increase in both current assets and current liabilities.

Debt to equity ratio slightly improved from 1.19 as of December 2011 to 1.16 as of June 30, 2012. There was a minimal increase in total debt by 2% while total equity rose only by 4% after the recognition of the period's income and the payment of dividends in the first half.

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

Notwithstanding external and uncontrollable economic and business factors that affect its businesses, AboitizPower believes that it is in a good position to benefit from the opportunities that may arise in 2012. Its sound financial condition, coupled with a number of industry and company specific developments, should bode well for AboitizPower and its investee companies. These developments are as follows:

Power

Generation Business

1. Continued growth in the Company's attributable capacity

AboitizPower ended the first semester of 2012 with a total attributable generating capacity of 2,350 MW. The Company aims to continue growing its portfolio of generation assets by implementing the following projects.

- Rehabilitation of the Binga Hydro Power Plant

  In 2011, AboitizPower, together with its partner SN Power Invest AS (SN Power), commenced the programmed rehabilitation of the 100 MW Binga hydropower plant, which is consisted of four units with a capacity of 25 MW each. The program involves the increase of each unit's capacity by 5 MW. Rehabilitation of the first unit was completed in December 2011. Works on the second unit have commenced and are expected to be completed in the third quarter of 2012. Rehabilitation of the remaining two units will commence thereafter. Full completion will result to Binga's total capacity reaching 120 MW, from the current 105 MW. AboitizPower has an effective stake of 50% in this facility.

- Rehabilitation of the Tiwi-Makban Geothermal Power Facilities

  100%-owned APRI is currently undertaking the rehabilitation of several units of the Tiwi-Makban geothermal power plant complex. Works on the Tiwi facilities are targeted for completion by the third quarter of 2012, while those for Makban are seen to be finished by first quarter of 2013. Enhancements in the plants' availability rate are expected following the completion of the refurbishment, rehabilitation and resource improvements.

- Greenfield and Brownfield developments

  <u>600 MW Coal-fired Power Plant in Subic.</u> This is a project by Redondo Peninsula Energy, Inc. (RP Energy), a joint venture with Merlaco PowerGen Corporation (MPGC) and Taiwan Cogeneration International Corporation (TCIC). The project involves the construction and operation of a 2x300 MW circulating-fluidized-bed (CFB) coal-fired power plant in the Subic Bay Freeport Zone. RP Energy is awaiting the issuance of the amended Environmental Compliance Certificate to cover two high-efficiency 300-MW units with main steam reheat systems. In the meantime, site preparation and the finalization of the EPC contract are underway, while suppliers of the main equipment (i.e. CFB boilers and turbines) have already been identified. Completion of the first unit is targeted by the second quarter of 2016, with the second unit to follow 4 to 6 months thereafter. AboitizPower, through its wholly owned subsidiary, Therma Power, Inc., will have an equity interest of roughly 25% in Redondo Peninsula Energy, Inc.

  <u>300 MW Coal-fired Power Plant in Davao.</u> AboitizPower, through 100%-owned subsidiary Therma South, Inc. (TSI), is planning to put up a 2x150 MW coal-fired power plant in Davao, which is the biggest load center in the island of Mindanao. The project was issued an Environmental Compliance Certificate (ECC) by the Department of Environment and Natural Resources (DENR) on September 9, 2011. Pre-construction works (e.g. site clearing) have started in June 2012. In the same month, TSI entered into construction, supply and coordination contracts with local and foreign contractors for the project. The first generating unit (150 MW) is expected to be completed 34 months after (or March 2015), with the second unit (150 MW) to follow in 3 months (or June 2015).

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

  <u>150 MW Coal-fired Power Plant in Misamis Oriental.</u> On June 28, 2010, AboitizPower and its partners in STEAG State Power, Inc., owner of the 232 MW coal plant located at the Phividec Industrial Estate in Villanueva, Misamis Oriental, firmed up their collective intention to develop a third unit of approximately 150 MW capacity adjacent to the existing facility. AboitizPower and

its partners agreed to maintain their shareholdings in the same proportions in the new corporation to be established for the planned additional capacity. Certain essential facilities, such as the jetty, coal handling facilities and stockyards and the 138-kV interconnection with the Mindanao Grid are to be shared with the existing facilities. Depending on the interest the market demonstrates, the agreement contemplates the possibility of putting up another unit.

13.7 MW Tudaya 1 and 2 Hydro Power Plant Project. AboitizPower's wholly owned subsidiary Hedcor Tudaya, Inc. (Hedcor Tudaya) will implement a Greenfield project involving the construction of run-of-river power plants to be located in the upper and downstream sections of the existing Sibulan hydro power plants, tapping the same water resource, which are the Sibulan and Baroring rivers. The two plants will have a combined capacity of 13.7 MW. The project has been issued its ECC and endorsed by the local communities. Tudaya 2's RE contract and civil and equipment supply contracts have been signed. Meanwhile, Tudaya 1's RE contract is still being processed, while its civil and equipment supply contracts have been finalized and is ready for signing. Target groundbreaking for both plants is within the third quarter of 2012. Construction is estimated to be completed in 22 months.

13.2 MW Sabangan Hydro Power Plant Project. This involves the construction and operation of a hydropower plant facility in Mt. Province, a province located in Northern Luzon. This project will be undertaken by a wholly owned subsidiary of AboitizPower, Hedcor Sabangan, Inc. The project was granted an ECC by the DENR in 2011. Engineering and design are underway and are expected to be completed by fourth quarter of 2012. Groundbreaking is targeted in the first quarter of 2013, with completion expected after a 2-year construction period.

11.5 MW Hedcor Tamugan Hydro Power Plant Project. In 2010, wholly owned subsidiary, Hedcor Tamugan, Inc. (Hedcor Tamugan), has reached an agreement with the Davao City Water District on the use of the Tamugan river. Originally planned as a 27.5 MW run-of-river facility, Hedcor Tamugan submitted a new proposal, which involves the construction of an 11.5 MW hydropower plant. Hedcor Tamugan is waiting for the Davao City council to approve the project. Once approval and permits are secured, the two-year construction period will commence.

Other Greenfield and Brownfield developments. AboitizPower, together with its subsidiaries and associate company, is conducting feasibility studies for potential Greenfield and Brownfield projects.

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

- Hedcor is conducting feasibility studies for potential hydropower projects located in both Luzon and Mindanao. Based on current findings, Hedcor sees the potential of building plants with capacities ranging from 5 MW to 50 MW. When the projects pass the evaluation stage and once permits are secured, the two-year construction period for the hydropower plant facilities will commence.

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

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

AboitizPower is also keen on participating in PSALM's public auction for the Independent Power Producer (IPP) Administrator contracts, which involves the transfer of the management and control of total energy output of power plants under contract with NPC to the IPP administrators.

Distribution Business

AboitizPower remains optimistic that it will realize modest growth on its existing distribution utilities. It continually seeks efficiency improvements in its operations to maintain healthy margins.

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

Cotabato Light & Power Company's (Cotabato Light) 4-year regulatory period commenced on April 1, 2009 and ends on March 30, 2013. The company is currently in its fourth year of its regulatory period. It is likewise undergoing its reset process in preparation for its second 4-year regulatory period, which should commence in April 2013. Cotabato Light is the first distribution utility in the AboitizPower group to implement this incentive-based scheme.

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

SFELAPCO and SEZ are part of the fourth batch (Group D) of private distribution utilities to enter PBR. In July 2011, the ERC released the final determination on the applications for annual revenue requirements and performance incentive schemes for the regulatory period October 2011 to September 2015. Implementation of approved rates took place in January 2012 and March 2012 for SEZ and SFELAPCO, respectively. All under-recoveries since October 2011 are allowed to be recouped in the next regulatory year.

Market and Industry Developments

Open Access and Retail Competition

Per EPIRA, the conditions for the commencement of the Open Access and Retail Competition are as follows:

(a) Establishment of the WESM;
(b) Approval of unbundled transmission and distribution wheeling charges;
(c) Initial implementation of the cross subsidy removal scheme;
(d) Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and
(e) Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP administrators.

Under the Open Access and Retail Competition, an eligible contestable customer, which is defined as an end-user with a monthly average peak demand of at least 1 MW for the preceding 12 months, will have the option to source their electricity from eligible suppliers that have secured a Retail Electricity Supplier (RES) license from the ERC. Eligible suppliers shall include the following:

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

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

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

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

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

In June 2011, the ERC declared December 26, 2011 as the Open Access Date to mark the commencement of the full operations of the competitive retail electricity market in Luzon and Visayas. However, after careful deliberation, the ERC acknowledged that not all the necessary rules, systems and infrastructures required for the implementation of the Open Access and Retail Competition have been put in place to meet the contemplated timetable for implementation. In October 2011, the ERC announced the deferment of the Open Access Date. A definitive timeline leading to the eventual implementation will be issued by the ERC after consultation with all the stakeholders.

SIGNATURES

Pursuant to the requirement of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer	**ABOITIZ POWER CORPORATION**
Principal Accounting Officer	**Cristina B. Beloria**
Signature and Title	**Assistant Vice President - Controller**
Date	14 AUG 2012
Corporate Secretary	**M. Jasmine S. Oporto**
Signature and Title	**Corporate Secretary**
Date	14 AUG 2012

ABOITIZ POWER CORPORATION
AND SUBSIDIARIES

Unaudited Consolidated Financial Statements
As of June 30, 2012 (with Comparative Audited Consolidated
Figures as of December 31, 2011) and for the Six Months Ended
June 30, 2012 and 2011

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	(Unaudited) June 30 2012	(Audited) December 31 2011
ASSETS		
Current Assets		
Cash and cash equivalents	**₱25,423,551**	₱23,391,561
Trade and other receivables	**8,895,244**	9,505,778
Inventories	**1,900,761**	2,173,617
Other current assets	**1,721,223**	1,107,039
Total Current Assets	**37,940,779**	36,177,995
Noncurrent Assets		
Property, plant and equipment	**80,154,150**	78,708,118
Intangible asset - service concession rights	**4,030,296**	4,162,768
Investment property	**10,000**	10,000
Investments in and advances to associates	**29,927,021**	29,121,693
Available-for-sale (AFS) investments	**3,744**	3,744
Goodwill	**996,005**	996,005
Pension assets	**136,671**	168,299
Deferred income tax assets	**321,553**	226,872
Other noncurrent assets	**4,091,866**	3,952,445
Total Noncurrent Assets	**119,671,306**	117,349,944
TOTAL ASSETS	**₱157,612,085**	₱153,527,939
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	**₱1,058,900**	₱1,614,600
Trade and other payables	**8,988,095**	7,121,754
Derivative liabilities	–	7,580
Income tax payable	**192,439**	142,683
Current portion of:		
Long-term debts	**703,219**	1,504,800
Long-term obligation on power distribution system	**16,902**	16,902
Payable to preferred shareholder of a subsidiary	**40,000**	40,000
Total Current Liabilities	**10,999,555**	10,448,319
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts	**16,481,557**	17,300,182
Finance lease obligation	**54,017,528**	52,714,959
Long-term obligation on power distribution system	**253,944**	237,046
Payable to preferred shareholder of a subsidiary	**28,632**	46,068
Customers' deposits	**2,283,728**	2,164,195
Pension liabilities	**27,254**	26,965
Deferred income tax liabilities	**671,003**	397,988
Total Noncurrent Liabilities	**73,763,646**	72,887,403
Total Liabilities	**84,763,201**	83,335,722
Equity Attributable to Equity Holders of the Parent		
Capital stock	**7,358,604**	7,358,604
Additional paid-in capital	**12,588,894**	12,588,894
Cumulative translation adjustments	**(159,776)**	(57,668)
Share in cumulative translation adjustments of associates	**(522,192)**	(546,753)
Share in unrealized valuation gain on AFS investments of an associate	**73,952**	73,952
Acquisition of non-controlling interests	**(259,147)**	(259,147)
Retained earnings	**51,870,313**	49,400,692
	70,950,648	68,558,574
Non-controlling Interests	**1,898,236**	1,633,643
Total Equity	**72,848,884**	70,192,217
TOTAL LIABILITIES AND EQUITY	**₱157,612,085**	₱153,527,939

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

(Unaudited)

	JAN-JUN/12	JAN-JUN/11	**APR-JUN/12**	APR-JUN/11
OPERATING REVENUES	**₱31,268,588**	₱27,267,329	**₱16,171,370**	₱14,327,922
OPERATING EXPENSES	**21,485,660**	17,084,441	**11,385,748**	9,515,777
FINANCIAL INCOME (EXPENSES)				
Interest income	**392,177**	294,006	**221,021**	151,004
Interest expense and other financing costs	**(3,709,066)**	(3,543,506)	**(1,877,530)**	(1,827,365)
	(3,316,889)	(3,249,500)	**(1,656,509)**	(1,676,361)
OTHER INCOME (EXPENSES)				
Share in net earnings of associates	**5,339,075**	3,638,965	**3,328,165**	2,276,025
Others - net	**1,255,508**	542,175	**563,713**	234,100
	6,594,583	4,181,140	**3,891,878**	2,510,125
INCOME BEFORE INCOME TAX	**13,060,622**	11,114,528	**7,020,991**	5,645,909
PROVISION FOR INCOME TAX	**613,040**	426,509	**281,272**	104,250
NET INCOME	**₱12,447,582**	₱10,688,019	**₱6,739,719**	₱5,541,659
Attributable to:				
Equity holders of the parent	**₱12,182,979**	₱10,594,339	**₱6,583,146**	₱5,488,488
Non-controlling interests	**264,603**	93,680	**156,573**	53,171
	₱12,447,582	₱10,688,019	**₱6,739,719**	₱5,541,659
EARNINGS PER COMMON SHARE				
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	**₱1.66**	₱1.44	**₱0.90**	₱0.75

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

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

(Unaudited)

	JAN-JUN/12	JAN-JUN/11	**APR-JUN/12**	APR-JUN/11
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	**₱12,182,979**	₱10,594,339	**₱6,583,146**	₱5,488,488
Non-controlling interests	**264,603**	93,680	**156,573**	53,171
	12,447,582	10,688,019	**6,739,719**	5,541,659
OTHER COMPREHENSIVE INCOME (LOSS)				
Movement in cumulative translation adjustments	**(102,108)**	(121,766)	**(68,702)**	(121,766)
Share in movement in cumulative translation adjustments of associates	**24,561**	56,569	**69,229**	75,161
Income tax effect on other comprehensive income	**–**	–	**–**	–
Total other comprehensive income, net of tax	**(77,547)**	(65,197)	**527**	(46,605)
TOTAL COMPREHENSIVE INCOME	**₱12,370,035**	₱10,622,822	**₱6,740,246**	₱5,495,054
Attributable to:				
Equity holders of the parent	**₱12,105,432**	₱10,529,142	**₱6,583,673**	₱5,441,883
Non-controlling interests	**264,603**	93,680	**156.573**	53,171
	₱12,370,035	₱10,622,822	**₱6,740,246**	₱5,495,054

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2012 AND DECEMBER 31, 2011, AND JUNE 30, 2011

(Amounts in Thousands, Except Dividends Per Share Amounts)

(Unaudited)

	Attributable to Equity Holders of the Parent								
	Capital Stock	Additional Paid-in-Capital	Share in Unrealized Gain on AFS of Associates	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Acquisition of Non-controlling Interests	Retained Earnings	Non-controlling Interests	Total
Balances at January 1, 2012	₱7,358,604	₱12,588,894	₱73,952	(₱57,668)	(₱546,753)	(₱259,147)	₱49,400,692	₱1,633,643	₱70,192,217
Net income for the year	–	–	–	–	–	–	12,182,979	264,603	12,447,582
Other comprehensive income (loss)	–	–	–	(102,108)	24,561	–	–	–	12,447,582
Total comprehensive income (loss)	–	–	–	(102,108)	24,561	–	12,182,979	264,603	12,370,035
Cash dividends – ₱1.32 a share	–	–	–	–	–	–	(9,713,358)	–	(9,713,358)
Change in non-controlling interests	–	–	–	–	–	–	–	(10)	(10)
Balances at June 30, 2012	**₱7,358,604**	**₱12,588,894**	**₱73,952**	**(₱159,776)**	**(₱522,192)**	**(₱259,147)**	**₱51,870,313**	**₱1,898,236**	**₱72,848,884**
Balances at January 1, 2011	₱7,358,604	₱12,588,894	₱78,118	₱–	₱57,922	(₱259,147)	₱37,505,797	₱404,022	₱57,734,210
Net income for the year	–	–	–	–	–	–	21,608,253	275,654	21,883,907
Other comprehensive loss	–	–	(4,166)	(57,668)	(604,675)	–	–	–	(666,509)
Total comprehensive income (loss)	–	–	(4,166)	(57,668)	(604,675)	–	21,608,253	275,654	21,217,398
Cash dividends – ₱1.32 a share	–	–	–	–	–	–	(9,713,358)	–	(9,713,358)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	(79,633)	(79,633)
Change in non-controlling interests	–	–	–	–	–	–	–	1,033,600	1,033,600
Balances at December 31, 2011	₱7,358,604	₱12,588,894	₱73,952	(₱57,668)	(₱546,753)	(₱259,147)	₱49,400,692	₱1,633,643	₱70,192,217

	Attributable to Equity Holders of the Parent								
	Capital Stock	Additional Paid-in-Capital	Share in Unrealized Gain on AFS of Associates	Cumulative Translation Adjustments	Share in Cumulative Translation Adjustments of Associates	Acquisition of Non-controlling Interests	Retained Earnings	Non-controlling Interests	Total
Balances at January 1, 2011	₱7,358,604	₱12,588,894	₱78,118	₱–	₱57,922	(₱259,147)	₱37,505,797	₱404,022	₱57,734,210
Net income for the year	–	–	–	–	–	–	10,594,339	93,680	10,688,019
Other comprehensive income (loss)	–	–	–	(121,766)	56,569	–	–	–	(65,197)
Total comprehensive income (loss)	–	–	–	(121,766)	56,569	–	10,594,339	93,680	10,622,822
Cash dividends – ₱1.32 a share	–	–	–	–	–	–	(9,713,358)	–	(9,713,358)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	(692)	(692)
Acquisition of non-controlling interest	–	–	–	–	–	423,654	–	–	423,654
Change in non-controlling interests	–	–	–	–	–	–	–	18,664	18,664
Balances at June 30, 2011	₱7,358,604	₱12,588,894	₱78,118	(₱121,766)	₱114,491	164,507	₱38,386,778	₱515,674	₱58,085,300

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

(Unaudited)

	JAN-JUN/12	JAN-JUN/11	**APR-JUN/12**	APR-JUN/11
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**₱13,060,622**	₱11,114,527	**₱7,020,991**	₱5,645,909
Adjustments for:				
Interest expense and other financing costs	**3,709,066**	3,543,506	**(1,669,371)**	(1,669,371)
Depreciation and amortization	**1,616,599**	1,619,241	**797,865**	849,656
Amortization of software	**3,964**	–	**1,780**	–
Unrealized fair valuation loss on derivatives	**(736)**	7,252	**(994)**	(11,326)
Gain on sale of property, plant and equipment	**(6,116)**	(2,188)	**(5,591)**	(1,753)
Gain on redemption of preferred shares	**(27,087)**	–	**(27,087)**	–
Interest income	**(392,177)**	(294,006)	**(221,021)**	(151,004)
Net unrealized foreign exchange gains	**(1,008,248)**	(285,217)	**(505,810)**	(41,677)
Share in net earnings of associates	**(5,339,075)**	(3,638,965)	**(3,328,164)**	(2,276,025)
Operating income before working capital changes	**11,616,812**	12,064,150	**5,636,586**	5,841,145
Decrease (increase) in operating assets	**202,892**	(2,928,731)	**(161,041)**	(2,365,427)
Increase in operating liabilities	**2,017,094**	1,879,559	**2,062,499**	1,781,482
Cash provided by operations	**13,836,798**	11,014,978	**7,538,044**	5,257,200
Income and final taxes paid	**(382,031)**	(320,530)	**(299,859)**	(328,510)
Net cash flows from operating activities	**13,454,767**	10,694,448	**7,238,185**	4,928,690
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash dividends received	**4,222,679**	3,097,056	**3,585,454**	1,040,999
Interest received	**449,438**	279,572	**215,349**	116,692
Proceeds from redemption of preferred shares	**318,509**	–	**–**	–
Additions to property, plant and equipment	**(2,994,885)**	(3,668,603)	**(2,151,608)**	(2,929,195)
Additional investments in associates	**(1,516)**	(134,297)	**(20)**	(134,233)
Net collection of (additional) advances to associates	**2,331**	(210,653)	**1,064**	(5,316)
Additions to intangible assets	**(69,856)**	(77,111)	**(18,881)**	(56,833)
Acquisition of subsidiary, net of cash	**–**	(563,567)	**–**	(563,567)
Decrease (increase) in other assets	**(23,362))**	358,564	**(121,468)**	367,436
Net cash flows from (used in) investing activities	**1,903,338**	(919,039)	**1,509,890**	(2,164,017)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds (payment) of bank loans	**(555,700)**	(829,000)	**(154,000)**	4,600
Net proceeds (payment) of long-term debt	**(1,620,206)**	4,578,406	**(1,399,831)**	4,906,215
Payments of finance lease obligation	**(546,085)**	(549,115)	**(272,625)**	(273,615)
Changes in non-controlling interests	**–**	(520,652)	**–**	(519,965)
Payments to preferred shareholders of a subsidiary	**(24,520)**	(31,070)	**(5,176)**	15,489
Decrease in derivative liabilities	**(6,844)**	–	**587**	–
Interest paid	**(805,548)**	(788,254)	**(356,739)**	(262,794)
Cash dividends paid	**(9,713,358)**	(9,713,358)	**(9,713,358)**	(9,713,358)
Net cash flows used in financing activities	**(13,272,261)**	(7,853,043)	**(11,901,142)**	(5,843,428)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,085,844**	1,922,366	**(3,153,067)**	(3,078,755)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(53,854)**	(3,856)	**2,821**	9,748
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**23,391,561**	18,301,845	**28,573,797**	23,289,362
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**₱25,423,551**	₱20,220,355	**₱25,423,551**	₱20,220,355

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

FINANCIAL STATEMENTS SCHEDULES AND DISCLOSURES

(Amounts in Thousands, Except Share and Exchange Rate Data and When Otherwise Indicated)

A Components of Other Comprehensive Income (Loss)

	JAN-JUN/12	JAN-JUN/11
Share in movement in cumulative translation adjustments of associates	**₱24,561**	₱56,569
Movement in cumulative translation adjustments	**(102,108)**	(121,766)
Other comprehensive income (loss) for the period – net of tax	**(₱77,547)**	(₱65,197)

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

	JAN-JUN/12		
	Before-Tax Amount	**Tax (Expense) Benefit**	**Net-of-Tax Amount**
Share in movement in cumulative translation adjustments of associates	**₱24,561**	**-**	**₱24,561**
Movement in cumulative translation adjustments	**(102,108)**	**-**	**(102,108)**
Other comprehensive income (loss) for the period – net of tax	**(₱77,547)**	**-**	**(₱77,547)**

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

C Investments in and Advances to Associates

	% Ownership	June 30, 2012	December 31, 2011
Acquisition cost:			
Manila Oslo Renewable Enterprise, Inc.	**83.33**	**₱9,545,143**	₱9,545,143
STEAG State Power, Inc.	**34.00**	**4,400,611**	4,400,611
Cebu Energy Development Corp.	**44.00**	**2,438,621**	2,438,621
Hijos de F. Escano, Inc.	**46.73**	**858,070**	858,070
Visayan Electric Co., Inc.	**55.25**	**659,670**	658,153
AEV Aviation, Inc.	**49.25**	**291,400**	291,400
Pampanga Energy Ventures, Inc.	**42.84**	**209,465**	209,465
San Fernando Electric Light & Power Co., Inc.	**43.78**	**180,864**	180,864
East Asia Utilities Corporation	**50.00**	**180,616**	217,551
Western Mindanao Power Corporation	**20.00**	**79,099**	263,665
Southern Philippines Power Corporation	**20.00**	**99,166**	152,587
Redondo Peninsula Energy, Inc.	**25.00**	**5,000**	5,000
Others		**88**	88
Balance at end of period		**₱18,947,813**	₱19,221,218
Accumulated equity in net earnings:			
Balance at beginning of the year		**9,397,547**	7,645,004
Share in net earnings		**5,339,074**	8,436,906
Disposals during the year		**–**	(5,639)
Step-acquisition to subsidiary		**–**	(196,402)
Effect of redemption of preferred shares by an associate		**(16,501)**	–
Cash dividends received or receivable		**(4,222,679)**	(6,482,322)
Balance at end of period		**10,497,441**	9,397,547
		29,445,254	28,618,765
Share in net unrealized gains (losses) on available-for-sale securities & underwriting accounts of an associate		**73,952**	73,952
Share in cumulative translation adjustments of associates		**(565,583)**	(546,753)
Investments in associates at equity		**28,953,623**	28,145,964
Advances to associates - net		**973,398**	975,729
		₱29,927,021	₱29,121,693

D Trade and Other Payables

	June 30, 2012
Trade	**₱3,173,579**
DOSRI	–
Others	**5,814,459**
	₱8,988,038

E Bank Loans

	Interest Rate	Jun 30/12	Dec 31/11
Peso loans - financial institutions - unsecured	3.80% to 4.00% in 2012; 4.00% to 4.25% in 2011	**₱1,058,900**	₱1,614,600
		₱1,058,900	₱1,614,600

F Long-term Debts

	Interest Rate	**Jun 30/12**	Dec 31/11
Company			
Financial and non-financial institutions - unsecured			
Fixed rate notes	9.33%	**₱543,200**	₱543,200
Fixed rate notes	8.23%	**5,000,000**	5,000,000
Fixed rate notes	6.17%	**5,000,000**	5,000,000
Retail bonds - unsecured			
3-year bonds	8.00%	–	705,580
5-year bonds	8.70%	–	2,294,420
Hedcor Sibulan, Inc.			
Financial institutions - secured	8.52%	**3,175,420**	3,306,947
Hedcor, Inc.			
Financial institution - secured	8.36%	**452,200**	484,500
Cebu Private Power Corporation Financial institutions - secured	3.84% - 4.65% in 2012; 3.06% - 6.08% in 2011	**320,000**	426,667
Subic Enerzone Corporation			
Financial institution – secured	5.61%	**565,000**	565,000
Luzon Hydro Corporation			
Financial institution – secured	2.00% to 2.75%	**2,230,255**	521,257
Balamban Enerzone Corporation			
Financial institution - secured	7.50%	–	70,000
Total		**17,286,075**	18,917,571
Less deferred financing costs		**101,299**	112,589
		17,184,776	18,804,982
Less current portion – net of deferred financing costs		**703,219**	1,504,800
		₱16,481,557	₱17,300,182

G Debt Securities

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

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

On April 30, 2012, the Company fully paid its 5-year and 3-year peso fixed rate retail bonds. The payment comprised both the payment upon maturity of the 3-year bonds and the early redemption of the 5-year bonds.

H Earnings Per Common Share

Earnings per common share amounts were computed as follows:

		JAN-JUN/12	JAN-JUN/11
a.	Net income attributable to equity holders of the parent	**₱12,182,979**	₱10,594,339
b.	Weighted average number of common shares issued and outstanding	**7,358,604,307**	7,358,604,307
c.	Earnings per common share (a/b)	**₱1.66**	₱1.44

There are no dilutive potential common shares as of June 30, 2012 and 2011.

I Business Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately according to services provided, with each segment representing a strategic business segment. The Group identified operating segments, which are consistent with the segments reported to the Board of Directors (BOD), which is the Group's CODM, are as follows:

- "Power Generation" segment, which is engaged in the generation and supply of power to various customers under power supply contracts and for trading in WESM;
- "Power Distribution" segment, which is engaged in the distribution and sale of electricity to the end-users; and
- "Parent Company and Others", which includes the operations of the Company and electricity-related services of the Group such as installation of electrical equipment.

The Group has only one geographical segment, as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statement of income. Interest expense and financing charges, depreciation and amortization expense and income taxes are managed on a per segment basis.

The Group has inter-segment revenues in the form of management fees as well as inter-segment sales of electricity which are eliminated in consolidation. The transfers are accounted for at competitive market prices on an arm's length transaction basis.

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Adjustments as shown below include items not presented as part of segment assets and liabilities.

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

June 30, 2012

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	**₱23,193,137**	**₱7,962,258**	**₱113,193**	**₱–**	**₱31,268,588**
Inter-segment	**684,237**	**–**	**164,720**	**(848,957)**	**–**
Total Revenue	**₱23,877,374**	**₱7,962,258**	**₱277,913**	**(₱848,957)**	**₱31,268,588**
Segment results	**₱8,594,035**	**₱1,162,041**	**₱26,853**	**(₱1)**	**₱9,782,928**
Unallocated corporate income - net	**1,071,826**	**187,460**	**(3,778)**	**–**	**1,255,508**
INCOME FROM OPERATIONS	**9,665,861**	**1,349,501**	**23,075**	**(1)**	**11,038,436**
Interest expense	**(3,108,708)**	**(58,575)**	**(541,783)**	**–**	**(3,709,066)**
Interest income	**282,440**	**9,990**	**99,747**	**–**	**392,177**
Share in net earnings of associates	**5,007,108**	**342,180**	**12,594,414**	**(12,604,627)**	**5,339,075**
Provision for (benefit from) income tax	**(267,621)**	**(342,911)**	**(2,508)**	**–**	**(613,040)**
NET INCOME	**₱11,579,080**	**₱1,300,185**	**₱12,172,945**	**(₱12,604,628)**	**₱12,447,582**
OTHER INFORMATION					
Investments in Associates	**₱26,121,129**	**₱2,419,463**	**₱72,117,465**	**(₱71,704,434)**	**₱28,953,623**
Segment Assets	**₱137,395,695**	**₱9,826,547**	**₱81,423,752**	**(₱71,033,909)**	**₱157,612,085**
Segment Liabilities	**₱72,802,099**	**₱5,355,653**	**₱10,590,324**	**(₱3,984,875)**	**₱84,763,201**
Depreciation and amortization	**₱1,384,840**	**₱225,730**	**₱9,993**	**₱–**	**₱1,620,563**

June 30, 2011

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱20,422,524	₱6,780,442	₱64,363	₱–	₱27,267,329
Inter-segment	567,635	–	137,158	(704,793)	–
Total Revenue	₱20,990,159	₱6,780,442	₱201,521	(₱704,793)	₱27,267,329
Segment results	₱9,426,193	₱754,517	₱2,178	₱–	₱10,182,888
Unallocated corporate income (expenses)	335,248	246,689	(39,762)	–	542,175
INCOME FROM OPERATIONS	9,761,440	1,001,206	(37,584)	–	10,725,063
Interest expense	(2,896,588)	(40,566)	(606,352)	–	(3,543,506)
Interest income	114,123	7,320	172,563	–	294,006
Share in net earnings of associates	3,419,406	219,559	11,074,652	(11,074,652)	3,638,965
Provision for income tax	(156,660)	(265,554)	(4,295)	–	(426,509)
NET INCOME	₱10,241,721	₱921,965	₱10,598,984	(₱11,074,652)	₱10,688,019
OTHER INFORMATION					
Investments in Associates	₱23,973,949	₱2,327,531	₱52,859,515	(₱52,742,878)	₱26,418,117
Segment Assets	₱123,462,294	₱8,769,132	₱75,506,744	(₱63,403,049)	₱144,335,121
Segment Liabilities	₱75,796,821	₱4,783,147	₱17,050,843	(₱12,380,990)	₱85,249,821
Depreciation and amortization	₱1,430,503	₱179,094	₱9,644	₱–	₱1,619,241

J Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents and long-term debts. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial instruments such as trade and other receivables, AFS investments, restricted cash, bank loans, trade and other payables, finance lease obligation, payable to preferred shareholder of a subsidiary, long-term obligation on power distribution system and customers' deposits, which arise directly from its operations.

The Group also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases.

Risk Management Structure
The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

Financial risk committee
The Financial Risk Committee has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

Treasury service group
The Treasury Service Group is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits.

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debt; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, AFS investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

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

Liquidity risk
Liquidity risk is the risk of not meeting obligations as they become due because of the inability to liquidate assets or obtain adequate funding. The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay any dividend declarations.

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long term borrowings should mature in any twelve-month period. 0.98% of the Group's debt will mature in less than one year as of June 30, 2012 (as of December 31, 2011: 2.06%). For its short-term funding, the Group's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

The financial assets that will be principally used to settle the financial liabilities presented in the following table are from cash and cash equivalents and trade and other receivables. Cash and cash equivalents can be withdrawn anytime while trade and other receivables are expected to be collected/realized within one year.

The following table summarizes the maturity profile of the Group's financial liabilities as of June 30, 2012 based on contractual undiscounted principal payments:

	Total carrying value	Contractual undiscounted principal payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Trade and other payables	**₱5,663,365**	**₱5,663,365**	₱81,517	₱5,581,848	₱–	₱–
Customers' deposits	**2,283,728**	**2,283,728**	–	8,046	51,025	2,224,657
Bank loans	**1,058,900**	**1,058,900**	–	1,058,900	–	–
Payable to preferred shareholders of subsidiary	**45,534**	**62,140**	–	31,070	31,070	–
Finance lease obligation	**54,017,528**	**107,686,190**	–		35,319,830	72,366,360
Long-term obligation on power distribution system	**293,944**	**640,000**	–	40,000	200,000	400,000
Long-term debts	**17,184,776**	**17,286,075**	–	703,219	14,628,224	1,954,632
Total	**₱80,547,775**	**₱134,663,792**	₱81,517	₱7,423,083	₱50,230,149	₱76,945,649

Market Risk

The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of June 30, 2012, 15% of the Group's long-term debt had floating interest rates ranging from 2.00% to 4.65%, and 85% have fixed rates ranging from 5.61% to 9.33%. As of December 31, 2011, 5% of the Group's long-term debt had floating interest rates ranging from 2.44% to 6.08%, and 95% have fixed rates ranging from 3.68% to 9.33%.

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

As of June 30, 2012

	<1 year	1-5 years	>5 years	**Total**
Floating rate - long-term debt	₱444,993	₱2,086,839	₱–	₱2,531,832
Floating rate - payable to preferred shareholders of subsidiaries	16,902	28,632	–	45,534
	₱461,895	₱2,115,471	₱–	₱2,577,366

As of December 31, 2011

	<1 year	1-5 years	>5 years	**Total**
Floating rate - long-term debt	₱409,153	₱533,429	₱–	₱942,582
Floating rate - payable to preferred shareholders of subsidiaries	16,902	46,068	–	62,970
	₱426,055	₱579,497	₱–	₱1,005,552

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk. The Group's derivative asset and liabilities are subject to fair value interest rate risk.

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

	Increase (decrease) in basis points	Effect on income before tax
June 30, 2012	200	(₱50,637)
	(100)	25,318
December 31, 2011	200	(18,852)
	(100)	9,426

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

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

	JAN-JUN/12	JAN-JUN/11
Bank loans and long-term debt	**₱773,204**	₱827,928
Customers' deposits	**1,118**	1,932
Finance lease obligation	**2,910,756**	2,683,491
Long-term obligation on power distribution system	**16,898**	17,243
Payable to preferred shareholder of subsidiary	**7,084**	8,636
Advances from related parties	**6**	4,276
	₱3,709,066	₱3,543,506

Foreign exchange risk
The foreign exchange risk of the Group pertains significantly to its foreign currency denominated obligations. To manage its foreign exchange risk, stabilize cash flows and improve investment and cash flow planning, the Group enters into foreign currency forward contracts aimed at reducing and/or managing adverse impact of changes in foreign exchange rates on financial performance and cash flows. As of June 30, 2012 and December 31, 2011, foreign currency denominated borrowings account for 40% and 37% of total consolidated borrowings, respectively.

Presented below are the Group's foreign currency denominated financial assets and liabilities as of June 30, 2012 and December 31, 2011, translated to Philippine Peso.

	June 30, 2012		December 31, 2011	
	US Dollar	Philippine Peso equivalent[1]	**US Dollar**	Philippine Peso equivalent[1]
Loans and receivables				
Cash	**US$71,312**	**₱3,003,678**	US$13,840	₱606,752
Trade and other receivables	**390**	**16,446**	356	15,604
Advances to associates	**885**	**37,259**	885	38,781
Total financial assets	**72,587**	**3,057,383**	15,081	661,137
Other financial liabilities				
Trade and other payables	**7,827**	329,679	**8,048**	**352,827**
Long-term debt	**52,950**	**2,230,256**	**11,890**	**521,257**
Finance lease obligation	**634,662**	**26,731,963**	**609,712**	**26,729,765**
Total financial liabilities	**695,439**	**29,291,898**	**629,650**	**27,603,849**
Net foreign currency denominated assets	**(US$622,852)**	**(₱26,234,515)**	**(US$614,569)**	**(₱26,942,712)**

[1] $1 = ₱42.1200 ending Jun 30, 2012
$1 = ₱43.8400 ending Dec 31, 2011

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's income before tax as of June 30, 2012 and December 31, 2011.

	Increase/ (decrease) in US Dollar	Effect on income before tax
June 30, 2012		
US dollar denominated accounts	**US Dollar strengthens by 5%**	**(₱1,311,726)**
US dollar denominated accounts	**US Dollar weakens by 5%**	**1,311,726**
December 31, 2011		
US dollar denominated accounts	**US Dollar strengthens by 5%**	**(₱1,347,136)**
US dollar denominated accounts	**US Dollar weakens by 5%**	**1,347,136**

The increase in US Dollar rate represents the depreciation of the Philippine Peso while the decrease in US Dollar rate represents appreciation of the Philippine Peso.

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

Credit risk

For its cash investments (including restricted portion), AFS investments and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these investments. With respect to cash investments and AFS investments, the risk is mitigated by the short-term and/or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to only enter into transactions with credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and it has internal mechanisms to monitor the granting of credit and management of credit exposures.

Concentration Risk
Credit risk concentration of the Group's receivables according to the customer category as of June 30, 2012 and December 31, 2011 is summarized in the following table:

	June 30, 2012	December 31, 2011
Power distribution		
Residential	**₱340,758**	₱312,099
Commercial	**123,452**	126,467
Industrial	**525,976**	448,805
City street lighting	**7,666**	6,617
Power generation		
Spot market	**1,394,572**	741,102
Power supply contracts	**5,864,418**	4,945,887
	₱8,256,842	₱6,580,977

Capital management
Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio at 70% or below. The Group determines net debt as the sum of interest-bearing short-term and long-term loans (comprising long-term debt, finance lease obligation and payable to preferred shareholders of a subsidiary) less cash and short-term deposits and temporary interest bearing advances to related parties.

Gearing ratios of the Group as of June 30, 2012 and December 31, 2011 are as follows:

	June 30, 2012	December 31, 2011
Bank loans	**₱1,058,900**	₱1,614,600
Long-term debt	**71,247,838**	71,582,911
Cash and cash equivalents	**(25,423,551)**	(23,391,561)
Net debt (a)	**46,883,187**	49,805,950
Equity	**72,848,884**	70,192,217
Equity and net debt (b)	**₱119,732,071**	₱119,998,167
Gearing ratio (a/b)	**39.16%**	41.51%

Certain entities within the Group that are registered with the BOI are required to raise a minimum amount of capital in order to avail of their registration incentives. As of June 30, 2012, these entities have complied with the requirement as applicable.

No changes were made in the objectives, policies or processes during the period ended June 30, 2012 and December 31, 2011.

K Financial Instruments

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

	June 30, 2012		December 31, 2011	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
FINANCIAL ASSETS				
Cash and cash equivalents	**₱25,423,551**	**₱25,423,551**	₱23,391,561	₱23,391,561
Trade and other receivables	**8,895,244**	**8,895,244**	9,505,778	9,505,778
	34,318,795	**34,318,795**	32,897,339	32,897,339
AFS Financial Assets	**3,744**	**3,744**	3,744	3,744
	₱34,322,539	**₱34,322,539**	₱32,901,083	₱32,901,083
FINANCIAL LIABILITIES				
Other Financial Liabilities				
Bank loans	**₱1,058,900**	**₱1,058,900**	₱1,614,600	₱1,614,600
Long-term debt				
Floating - long-term debt	**2,531,832**	**2,531,832**	942,582	942,582
Fixed rate - long-term debt	**14,652,944**	**15,148,656**	17,862,400	19,467,789
Payable to preferred shareholder of a subsidiary	**45,534**	**45,534**	62,970	62,970
Finance lease obligation	**54,017,528**	**65,526,167**	52,714,959	67,291,284
Customers' deposits	**2,283,728**	**2,283,728**	2,164,195	2,164,195
Long-term obligation on power distribution system	**293,944**	**415,192**	277,046	419,789
Trade and other payables				
Trade payables	**3,396,415**	**3,396,415**	2,950,149	2,950,149
Accrued expenses	**562,815**	**562,815**	1,354,181	1,354,181
Related parties	–	–	18,415	18,415
Other liabilities	**1,704,135**	**1,704,135**	466,397	466,397
	5,663,365	**5,663,365**	4,789,142	4,789,142
	80,547,775	**92,673,374**	80,427,894	96,752,351
Financial Liability at FVPL				
Derivative liabilities	–	–	7,580	7,580
	₱80,547,775	**₱92,673,374**	₱80,435,474	₱96,759,931

Fair Value of Financial Instruments

Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's-length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with an active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade and other receivables, bank loans and trade and other payables. The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate fair value due to the relatively short-term maturity of these financial instruments.

Derivative asset and liabilities. The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity.

Fixed-rate borrowings. The fair value of fixed rate interest bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans.

Floating-rate borrowings. Since repricing of the variable-rate interest bearing loan is done on a quarterly basis, the carrying value approximates the fair value.

Finance lease obligation. The fair value of the finance lease obligation was calculated by discounting future cash flows using applicable interest rates.

Long-term obligation on PDS. The fair value of the long-term obligations on power distribution system is calculated by discounting expected future cash flows at prevailing market rates.

Customers' deposits. The fair value of bill deposits approximates the carrying values as these deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines. The timing and related amounts of future cash flows relating to transformer and lines and poles deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

AFS investments. These are carried at cost less impairment because fair value cannot be determined reliably due to the unpredictable nature of cash flows and lack of suitable methods of arriving at reliable fair value.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Only the Group's quoted AFS investments and derivative instruments, which are classified under Level 1 and Level 2, are measured and carried at fair value. During the reporting period ending June 30, 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

L **Disclosures**

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

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

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

Changes in Accounting Policies
The accounting policies followed in the preparation of the interim consolidated financial statements are consistent with those of the previous financial year except for the amended PFRS and Philippine Interpretations which the Group has adopted starting January 1, 2012. Adoption of the following amended and revised PFRS and Philippine Interpretations and improvements to PFRS did not have any significant impact to the Group's consolidated financial statements:

- *PAS 12, Income Taxes - Recovery of Underlying Assets*
  The amendment to PAS 12 is effective for annual periods beginning on or after January 1, 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, Investment Property, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, Property, Plant and Equipment, always be measured on a sale basis of the asset.

- *PFRS 7, Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*
  The amendment to PFRS 7 is effective for annual periods beginning on or after July 1, 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

2. Seasonality of Interim Operations

Operations of hydropower plants are generally affected by climatic seasonality. Seasonality and location have a direct effect on the level of precipitation. In Luzon where rainy and summer seasons are more pronounced, higher rainfall is normally experienced in the months of June to September. As such, the hydropower plants located in Luzon operate at their maximum capacity during this period. In contrast, the hydropower plants in Mindanao experience a well-distributed rainfall throughout the year, with a slightly better precipitation during the months of December to April. This precipitation seasonality greatly affects subsidiary companies HI, HSI and LHC, which operate 'run-of-river' hydropower plants since these plants do not have any means to impound water.

Any unexpected change in the seasonal aspects will have no material effect on the Group's financial condition or results of operations.

3. Material Events and Changes

a) Dividend declaration

On March 1, 2012, the BOD approved the declaration of cash dividends of ₱1.32 a share (₱9.71 billion) to all stockholders of record as of March 16, 2012. The cash dividends are payable on April 3, 2012.

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

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

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

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

4. Material Adjustments

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

5. Contingencies

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

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

1) AGING OF RECEIVABLES
AS OF : JUN 30/2012

	30 Days	60 Days	90 Days	Over 90 Days	Total
A/R - Trade:					
Power Distribution Customers	665,422	219,670	42,531	66,178	993,801
Power Generation Customers	4,996,851	386,305	212,369	1,663,465	7,258,990
Management & Other Services Customers	1,084	0	462	2,505	4,051
Sub-total - A/R - Trade	**5,663,357**	**605,975**	**255,362**	**1,732,148**	**8,256,842**
Less : Allowance for Doubful Accounts					**700,179**
Net Trade Receivables					**7,556,663**
A/R - Non Trade	**1,111,355**	**102,900**	**1,509**	**122,817**	**1,338,581**
Grand Total	**6,774,712**	**708,875**	**256,871**	**1,854,965**	**8,895,244**

2) ACCOUNTS RECEIVABLE DESCRIPTION

Type of Receivable	Nature / Description	Collection Period
Trade	uncollected billings to customers for sale of power, goods and services	30 - 60 days
Non-Trade	claims, operating cash advances and advances to suppliers & employees	30 - 120 days

3) NORMAL OPERATING CYCLE

Power Subsidiaries
Distribution - 60 days
Generation - 65 days