

COVER SHEET

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S.E.C. Registration Number

A	B	O	I	T	I	Z	P	O	W	E	R	C	O	R	P	O	R	A	T	I	O	N

(Company's Full Name)

A	B	O	I	T	I	Z	C	O	R	P	O	R	A	T	E	C	E	N	T	E	R			
G	O	V	.	M	A	N	U	E	L	A	.	C	U	E	N	C	O	A	V	E	N	U	E	,
K	A	S	A	M	B	A	G	A	N	,	C	E	B	U	C	I	T	Y						

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

ATTY. LEAH I. GERALDEZ

Contact Person

032-411-1804

Company Telephone Number

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Month Day

Fiscal Year

2nd Quarterly Report

1	7	-	Q	
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FORM TYPE

3rd Monday of May

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Month Day

Annual Meeting

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Secondary License Type, if Applicable

S	E	C
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Dept. Requiring this Doc

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Amended Articles Number/Section

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Total No. of Stockholders

X

Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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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, 2009
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
<u>Common Stock P1 Par Value</u>	<u>7,358,604,307</u>
<u>Amount of Debt Outstanding</u>	<u>P32,416,183,000</u>

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

Yes [] 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 [] No []

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

Yes [] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to the financial statements and schedules attached herewith

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

The following discussion and analysis of the Company's consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying schedules and disclosures set forth elsewhere in this report.

Top Five Key Performance Indicators

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

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

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

2. **Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA).** The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts.
3. **Cash Flow Generated.** Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the Group manages its profit and uses its internal and external sources of capital. This aids management in

identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. **Current Ratio.** Current ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt paying ability. The higher the ratio, the more liquid the Group.
5. **Debt-to-Equity Ratio.** Debt-to-Equity ratio gives an indication of how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

The table below shows the comparative figures of the top five (5) key performance indicators for the first six (6) months of 2009 and 2008 and as of December 31, 2008 (amounts in thousands except for financial ratios):

	JUNE 30/2009	JUNE 30/2008	DEC. 31/2008
SHARE IN NET EARNINGS OF ASSOCIATES	970,683	1,309,926	
EBITDA	2,631,309	2,522,487	
CASH FLOW GENERATED:			
Net cash from (used in) operating activities	438,470	(287,321)	
Net cash used in investing activities	(21,953,935)	(1,449,362)	
Net cash from (used in) financing activities	12,578,776	(1,196,881)	
Net Decrease in Cash & Cash Equivalents	(8,936,689)	(2,933,564)	
Cash & Cash Equivalents, Beginning	14,915,384	13,287,811	
Cash & Cash Equivalents, End	5,893,905	10,305,267	
CURRENT RATIO	1.13		2.19
DEBT-TO-EQUITY RATIO	1.05		0.54

The Company's Share in Net Earnings of Associates continue to fall behind last year's results due to lower income contribution from SN Aboitiz Power-Magat, Inc. (SNAP-Magat) Despite the significant amount of rainfall in the second quarter, which made up for the low generation levels in the first quarter, lower prices in the electricity spot market continued to affect SNAP-Magat's income contribution on a year to date basis. One of AP's associate distribution companies, Visayan Electric Company, Inc. (VECO), also contributed less this period as against last year due to an increase in the cost of its purchased power from the National Power Corporation (NPC) in the first quarter, which affected its gross margins.

Current ratios have decreased as the Company continues to deploy its capital to various investing activities.

The Debt to Equity ratio has also increased versus the end of last year due to the capital raising activities undertaken by AP and the assumption of debt related to the acquisition of the 462 MW Tiwi-Makban geothermal plants in May 2009.

Financial Results of Operations

For the first half of 2009, the Company's net income came in at P1.64 billion from P2.10 billion for the same period last year. This translates to an earnings per share of P0.22 for the first half of 2009 versus an earnings per share of P0.28 in the first half of 2008.

The results of the first half of this year is 22% lower than that of the first half of 2008. The combined effects of lower spot market prices for the electricity generated by the 360 MW Magat and the higher cost of purchased power of the Company's distribution utilities continued to impact the bottom line of the Company.

The power generation business had a net income contribution of P1.05 billion for the first half of the year, a 21% decline versus the same period last year. The decline in income for this segment, despite fresh contributions from SN Aboitiz Power-Benguet, Inc. (SNAP-Benguet) and AP Renewables, Inc. (APRI), is mainly due to lower electricity spot prices brought about by: (1) efficiencies realized by privatized power companies that was reflected on the prices bidded into the spot market, (2) lower fuel cost, particularly coal and oil, and (3) the System Operator's settlement of offers made by Limay oil-powered plant outside of the electricity spot market.

The Limay oil-fired power plant has been designated as a Must Run Unit (MRU) to support the contingency imposed for the San Jose transformers. As a designated MRU, the Limay plant's cost is not incorporated in the spot market pricing equation, which effectively brings down prices given this plant's high operating cost.

Meanwhile, the power distribution segment contributed P637million. The group saw its electricity sales grow by a modest 4.6% versus the same period last year, from 1,532 GWh to 1,603 GWh. The growth failed to make up for the impact of the increase in NPC's grid rates which resulted to an under-recovery of the cost of purchased power.

1. INCOME STATEMENTS (January – June, 2009 vs January –June, 2008)

Consolidated Net Income Attributable to Equity Holders of the Parent decreased by 23% from P2.07 billion in the first half of 2008 to P1.60 billion for the same period in 2009. Below is a reconciliation of the decline in the consolidated net income:

Consolidated Net Income Attributable to Equity Holders of the Parent for the six months of 2008	2,064,800
Increase in Operating Revenues	1,354,033
Increase in Operating Expenses	(1,086,350)
Decrease in Share in Net Earnings of Associates	(339,243)
Increase in Interest Income	53,469
Increase in Interest Expenses	(396,931)
Decrease in Other Income	(157,250)
Lower Provision for Taxes	115,806
Minority Interests	(10,672)
Total	(467,138)
Consolidated Net Income Attributable to Equity Holders of the Parent for the six months of 2009	1,597,662

Total Operating Revenues increased by 23% from the same period last year, from P6.10 billion to P7.45 billion. This is largely due to the new revenues brought in by APRI which took over operations of the Tiwi-Makban geothermal power plants from the Power Sector Assets and Liabilities Management Corporation (PSALM) in May 2009. The additional revenues from APRI accounted for

at least 77% of the increase in operating revenues. The rest of the increase is due to higher revenues of consolidated distribution utilities resulting from: (1) passed on higher cost of purchased power of Davao Light & Power Company Inc. (DLP) and Cotabato Light & Power Company (CLP); and (2) the implementation of Subic Enerzone Corporation's (SEZ) approved unbundled rates and higher sales to the Subic-based shipbuilder Hanjin.

Consolidated Operating Expenses went up by 21% year-to-date (YTD) 2009 from ₱5.28 billion to ₱6.37 billion due to: (1) the incremental costs and expenses from APRI, which accounted for 67% of the increase; and (2) higher cost of purchased power incurred by consolidated distribution utilities.

The Share in Net Earnings of Associates went down by 26% owing to: (1) lower contributions from SNAP-Magat as it continues to be impacted by the lower spot prices in the Wholesale Electricity Spot Market (WESM); (2) a non-recurring ₱145 million gain related to the settlement of Luzon Hydro Corporation's (LHC) dispute with Transfield Philippines, Inc., the EPC contractor of LHC's 70 MW Bakun hydropower plant; and (3) lower margins from VECO due to the increase in the cost of purchased power.

Interest Income increased by 20% due to higher placements made on the proceeds of the ₱3.89 billion fixed rate notes issued in December 2008 and the ₱3.0 billion retail bonds issued in April 2009.

Correspondingly, Interest Expense increased by 289% mostly from the interest on the issued fixed rate notes and corporate bonds.

Other Income (expenses) decreased by ₱157 million as a result of a one-off finance charge incurred by APRI.

For the reporting period ending June 2009, Income Before Income Tax decreased to ₱1.85 billion from ₱2.42 billion for the same period last year. Correspondingly, the provision for income taxes for the first half of 2009 decreased to ₱211 million against the prior period provisioning of ₱327 million.

2. BALANCE SHEETS (June 2009 vs December 2008)

Assets

Compared to year-end 2008 levels, consolidated assets increased by 34%, from ₱47.27 billion in December 2008 to ₱63.30 billion as of June 2009. Below is an explanation of the movements in various balance sheet accounts.

- a. Cash & Cash Equivalents was at ₱5.89 billion, down by 60% from year-end 2008 level of ₱14.92 billion. The decrease is mainly due to the deployment of cash totaling ₱8.9 billion to acquire the Tiwi-Makban assets. Another ₱810 million was infused into Abovant Holdings, Inc. (Abovant) to fund the requirements of Cebu Energy Development Corporation (CEDC), a joint venture company which is constructing a 246 MW coal plant in Toledo City, Cebu. Cash generated from operations, dividends as well as interest income received during the period were also infused into the above-mentioned transactions. In the first quarter of the year, dividends totaling ₱1.47 billion were paid to AP shareholders.
- b. Trade & Other Receivables increased by 79%, from ₱1.99 billion to ₱3.56 billion, mainly due to the newly consolidated trade receivables of APRI.

- c. Materials and Supplies increased by 114%, from ₱332 million to ₱710 million, with the inclusion of the APRI inventory which accounts for 88% of the total increase of ₱378 million.
- d. Property, Plant and Equipment increased by 331%, from ₱6.26 billion to ₱26.98 billion. Out of the total increase of ₱20.7 billion, ₱19.5 billion is attributable to the newly- acquired APRI geothermal property, plant and equipment.
- e. Investments in and Advances to Associates increased by 8% or by ₱1.68 billion, from ₱21.25 billion to ₱22.92 billion, due to additional funding during the year into the CEDC coal plant in Toledo City .
- f. Deferred Income Tax Assets increased by 17%, from ₱67 million to ₱78 million, resulting from the weakening of the peso from year-end 2008 levels.
- g. Other Noncurrent Assets is higher by 622%, from ₱83.70 million to ₱603.88 million, primarily due to deferred charges at APRI on charges incurred prior to the takeover of the Tiwi-MakBan geothermal facilities. APRI's deferred charges accounted for 94% of the increase in this account.

Liabilities

Consolidated liabilities increased by 96% compared to year-end 2008 levels, from ₱16.58 billion to ₱32.42 billion. The following were the reasons for the increase:

- a. Bank loans decreased by 19% or ₱900 million, from ₱4.80 billion to ₱3.90 billion, due to payments made by the distribution utilities on bank loans made for working capital requirements.
- b. Trade and Other Payables increased by 38%, from ₱3.15 billion to ₱4.35 billion, half of which is due to APRI trade payables and the balance due to increase in advances from shareholders in consolidated company Abovant.
- c. Income Tax Payable increased by 61% or ₱49.5 million, from ₱81.42 million to ₱130.96 million, due to higher provisions made in the first half of the year.
- d. Long-term lease obligations increased by 7%, from ₱251.82 million to ₱269.64 million, due to the increase in long term lease obligations of SEZ.
- e. A 7% increase in customer deposits this year versus end of 2008, from ₱1.57 billion to ₱1.67 billion, is due to an increase in deposits from new customers in DLP and CLP as well as the new deposits recognized in the books of APRI.
- f. Payable to Preferred Shareholders of a subsidiary, Cebu Private Power Corp. (CPPC), decreased by a total of 21% or ₱20 million, from ₱97 million to ₱77 million, due to payments made during the year.
- g. Pension liability increased by 30% or ₱4.32 million, from ₱14.47 million to ₱18.79 million, due to higher provisions made at AP and at Philippine Hydropower Corporation.
- h. Long-term debt increased significantly by 236% in the first half of 2009, increasing to ₱21.92 billion from end 2008 levels of ₱6.52 billion due to the following: (1) the 60% balance on the purchase price of Tiwi-Makban assets by APRI totaling ₱11.6 billion; (2) issuance of the ₱3.0 billion corporate bonds in April 2009; and (3) an additional loan draw

down made by Hedcor Sibulan Inc. (Hedcor Sibulan) to finance the construction of its 42.5 MW hydropower plant in Sibulan, Davao del Sur.

Equity

Equity attributable to equity holders of the parent stayed almost flat, moving upwards only by 1% from ₱30.16 billion as of December 2008 to ₱30.31 billion as of June 2009. This was after cash dividend payment of ₱1.47 billion to AP shareholders in the first quarter of the year and after the increase brought in by the net income for the period in review.

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

Financial Ratios

Current ratio decreased by 1.06, from 2.19x as of December 2008 to 1.13x in June 2009. The decrease in current ratio is due to a decrease in Cash and Cash Equivalents by ₱9.02 billion, an increase in current liabilities resulting from the increases in Trade and Other Payables, as well as in the increase in the current portion of long term debt. These were slightly mitigated by the increase in Trade and Other Receivables of ₱1.57 billion.

Debt-to-equity ratio increased from 0.54 as of December 2008 to 1.05 as of June 30, 2009. This is due to the capital raising activities by AP and the assumption of debt related to the acquisition of the Tiwi-Makban geothermal plants.

Material Changes in Liquidity and Cash Reserves of Registrant

As of June 30, 2009, the AP Group's Cash and Cash Equivalents stood at ₱5.89 billion. This is after the successful maiden issue of the ₱3.0 billion in retail corporate bonds in April 2009.

Net cash from operating activities contributed ₱438 million compared to the net cash outflow of ₱287 million for the same period last year. These contributions from operations came with a marked increase in operating current liabilities owing to the consolidation of APRI's operating current liabilities.

Net cash used in investing activities was ₱21.95 billion, mainly due to the increase in Property, Plant and Equipment following the purchase and turn-over of the Tiwi-Makban geothermal plants.

A total of ₱12.58 billion increase in cash from financing activities came from the increase in long term debt due to the proceeds of the retail corporate bond exercise which brought in ₱3.0 billion and the assumption of ₱11.6 billion staple loan on the 60% balance on the purchase price of the Tiwi-Makban geothermal plants. The increase was offset by cash used in the payment of dividends to shareholders totaling ₱1.47 billion and payments on loans by subsidiaries.

The Company ended the first half of 2009 with net cash outflows of ₱8.94 billion. The Cash and Cash Equivalents for the period ending June 30, 2009 stands at ₱5.89 billion versus beginning Cash and Cash Equivalents of ₱14.92 billion.

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

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

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

The Company remains optimistic that 2009 will be another good year. Notwithstanding external and uncontrollable economic and business factors that affect its businesses, the Company believes that it is in good position to benefit from the foreseen opportunities that will arise in the current year. Its sound financial condition, coupled with a number of industry and company specific developments, should bode well for AP and its investee companies. These developments are as follows:

Generation Business

1. Continued Growth in the Company's attributable capacity

With the turnover of the Tiwi-Makban geothermal plants to APRI in May 2009, AP's total attributable generating capacity increased to 1,040 MW, a jump of at least 80% from the same period last year. The facilities, which have sustainable capacity of 462 MW, are the Company's first geothermal assets.

With close to 70% of NPC assets bid out and awarded, the Company continues to closely evaluate the investment viability of the remaining power generation assets that PSALM intends to auction off.

2. Greenfield & Rehabilitation Projects

Construction work on the 42.5 MW run-of-river hydropower plant in Barangay Sibulan, Sta. Cruz, Davao del Sur by AP's 100%-owned subsidiary Hedcor Sibulan remains on track. The project entails the construction of two cascading hydropower generating facilities tapping the Sibulan and Baroring Rivers. These facilities can generate an estimated 212 million kilowatt-hours of clean and emissions-free energy annually.

Another subsidiary, Hedcor Tamugan, Inc. (Hedcor Tamugan), is awaiting the resolution of the Tamugan water rights dispute with the Davao City Water District before it will pursue the construction of the 27.5 MW Tamugan hydropower project. This project originally involved the construction of three run-of-river hydropower plants with a combined capacity of 34.5MW. This was scaled down to 27.5 MW when Hedcor Tamugan decided to abandon the construction of the 7 MW Suawan hydropower plant (the Suawan plant) due to the escalation of construction costs which had rendered the Suawan plant economically unfeasible to build. Nevertheless, this will not affect the Hedcor consortium's (of which Hedcor Tamugan is a part) ability to make good its contractual obligation to deliver the required amount of energy under a power supply agreement with DLP.

In August 2007, AP, together with Vivant Energy Corporation of the Garcia Group, signed a Memorandum of Agreement with Metrobank Group's Global Business Power Corporation for the construction and operation of the 246 MW coal-fired power plant in Toledo City, Cebu. Completion of the project is expected within 2010. AP will have an effective participation of 26% in the project.

On February 17, 2007, AP entered into a Memorandum of Agreement with Taiwan Cogeneration International Corporation (Taiwan Cogen), a Taipei-based generation company, to collaborate in the building and operation of a 300 MW coal-fired power plant in the Subic Bay Freeport Zone. On

May 30, 2007, Redondo Peninsula Energy Corporation (RP Energy) was incorporated as the 50:50 joint venture company for this project. The project is estimated to cost approximately US\$500 million. AP together with its partner Taiwan Cogen has put the Subic coal project on hold for further review as the Company continues to assess the changes to the demand in the Luzon Grid following the global financial crisis.

The Company, together with its partner SN Power Invest AS (SN Power), is pursuing the programmed rehabilitation of both the 75 MW Ambuklao and 100 MW Binga hydro facilities. It is projected that the rehabilitation will increase the generating capacity of Ambuklao to 105 MW and of Binga to 120 MW, thus increasing both plants' combined capacity by 29%. To date, the SNAP group is the largest traditional hydro operator in the country.

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

Last July 31, 2009, the Company successfully concluded a negotiated bid for the acquisition from PSALM of two barge mounted diesel powered generation plants, each with a generating capacity of 100 megawatts (MW). The prices offered for the power barges, also known as PB 117 and PB 118, were US\$16 million and US\$14 million respectively, out of which at least 40% will be payable upon closing of the acquisition with the remaining 60% payable over a period not to exceed seven years. AP will acquire PB 117, which is located in Barangay Sta. Ana, Nasipit, Agusan del Norte, through its wholly owned subsidiary Therma Mobile Inc. PB 118, which is located in Barangay San Roque, Maco, Davao Del Norte, will be acquired by AP's wholly owned subsidiary Therma Marine Inc.

Closing of the transaction is dependent upon the fulfillment of certain conditions precedent by AP and PSALM which must occur not later than 270 days from the issuance of the letter of award by PSALM. The letter of award is expected to be issued within ten days from today.

Upon turnover of the power barges, AP's attributable generating capacity will be 1,240 MW.

The Company continues to look at other power generation assets to be auctioned by the government. AP is also keen on participating in PSALM's public auction for the Independent Power Producer (IPP) Administrator contracts, which involves the transfer of the management and control of total energy output of power plants under contract with NPC to the IPP administrators.

Distribution Business

As the impact of the global financial crisis to the local economy unfolds, the Company remains optimistic that it will realize modest growth on its existing distribution utilities. It continually seeks for continued efficiency improvements in its operations, in order that healthy margins can be maintained.

The implementation of the rate adjustment formula for the distribution companies under the performance-based rate-setting regulation (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.

On May 1, 2009, CLP implemented its final approved rate structure, which was released by the Energy Regulatory Commission (ERC) on April 15, 2009. This rate structure was based on the approved annual revenue requirement and performance incentive scheme under the PBR. CLP is the first distribution utility in the AP group to implement this incentive-based scheme.

VECO and DLP are part of the third group (Group C) of private distribution utilities expected to enter PBR. Both VECO and DLP entered their respective reset periods in end 2008 and are expected to

enter the 4-year regulatory period 18–24 months thereafter. Distribution utilities in Group C are in various stages of their respective public hearings at this point.

San Fernando Electric Light and Power Company Inc. (SFELAPCO) and SEZ are part of the fourth batch (Group D) of private distribution utilities to enter PBR. They are expected to enter their respective 4-year regulatory period by April 1, 2011.

In April 2009, VECO also applied for a petition with the ERC under the present return-on-rate base (RORB) ratemaking regime for the adjustment and realignment of its current distribution charge. The current distribution charge of VECO is still based on VECO's asset base in 2000 of approximately ₱2.56 billion. The pending application for rate adjustment is computed based on an asset base as of yearend 2008 of approximately ₱6.41 billion. Public hearings for the rate application have just been concluded. VECO is now awaiting for the ERC decision on the rate application.

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.

Capital Raising Activities

Last December 2008, AP successfully launched and raised a total of ₱3.89 billion in 5-year and 7-year peso-denominated corporate fixed rate notes. The notes were offered in a private placement to not more than 19 institutional investors.

Last April 30, 2009, AP issued a total of ₱3.0 billion worth of peso-denominated fixed rate retail bonds under the following terms:

MATURITY	INTEREST RATE	AMOUNT
5-year bonds to mature on May 1, 2014	8.7%/p.a.	₱2,294,420,000
3-year bonds to mature on April 30, 2012	8.0%/p.a.	₱705,580,000

The issue was 2.5 times oversubscribed and had to be upsized from ₱1.5 billion to ₱3.0 billion.

Both the ₱3.89 billion corporate notes and the ₱3.0 billion retail bonds received a "PRS Aaa" from Philippine Rating Services Corporation (PhilRatings) last February 2009. Obligations rated "PRS Aaa", the highest possible rating by PhilRatings, are of the highest quality with minimal credit risk – an indication of the extremely strong capacity of the obligor to meet its financial commitment on the obligation.

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 Iker M. Aboitiz

Signature and Title First Vice President/Chief Financial Officer/
Corporate Information Officer

Date AUGUST 14, 2009

Corporate Secretary M. Jasmine S. Oporto

Signature and Title Corporate Secretary

Date AUGUST 14, 2009

ABOITIZ POWER CORPORATION AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**

AS OF JUNE 30, 2009 AND DECEMBER 31, 2008

(Amounts in Thousands)

	UNAUDITED JUN 2009	AUDITED DEC 2008
ASSETS		
Current Assets		
Cash and cash equivalents	5,893,905	14,915,384
Trade and other receivables - net	3,562,002	1,991,074
Materials and supplies	710,331	332,042
Other current assets	660,993	501,150
Total Current Assets	10,827,231	17,739,650
Noncurrent Assets		
Property, plant, and equipment - net	26,976,604	6,257,643
Intangible asset - Service concession rights - net	873,845	854,193
Investment property	10,000	10,000
Investments in and advances to associates	22,923,210	21,250,901
Available-for-sale (AFS) investments - net	3,744	3,744
Goodwill	996,005	996,005
Pension assets	9,720	9,720
Deferred income tax assets	78,157	66,576
Other noncurrent assets	603,884	83,704
Total Noncurrent Assets	52,475,169	29,532,486
TOTAL ASSETS	63,302,400	47,272,136
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	3,898,530	4,798,120
Trade and other payables	4,345,121	3,145,311
Income tax payable	130,956	81,422
Current portion of long-term debt	1,132,905	16,145
Current portion of payable to preferred shareholders	5,632	9,194
Current portion of long-term lease obligation	40,000	40,000
Total Current Liabilities	9,553,144	8,090,192
Noncurrent Liabilities		
Long-term debt - net of current portion and deferred financing cost	20,786,409	6,505,852
Long-term lease obligation - net of current portion	269,638	251,816
Customers' deposits	1,670,583	1,571,092
Payable to preferred shareholder of a subsidiary - net of current portion	71,461	88,030
Pension liability	18,785	14,467
Deferred income tax liabilities	46,163	59,024
Total Noncurrent Liabilities	22,863,039	8,490,281
Equity Attributable to Equity Holders of the Parent		
Capital stock - P1 par value	7,358,604	7,358,604
Additional paid-in capital	12,588,894	12,588,894
Share in cumulative translation adjustments of associates	8,488	(18,422)
Acquisition of minority interests	(259,147)	(259,147)
Retained earnings	10,611,343	10,485,401
	30,308,182	30,155,330
Minority interests	578,035	536,333
Total Equity	30,886,217	30,691,663
TOTAL LIABILITIES AND EQUITY	63,302,400	47,272,136

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED JUNE 30, 2009 AND 2008
(Amounts in Thousands, Except Earnings Per Share Amounts)
(UNAUDITED)

	JAN-JUN/09	JAN-JUN/08	APR-JUN/09	APR-JUN/08
OPERATING REVENUES	7,451,001	6,096,968	4,556,049	3,127,615
OPERATING EXPENSES	6,367,354	5,281,004	3,713,717	2,692,603
	1,083,647	815,964	842,332	435,012
OTHER INCOME (EXPENSES)				
Share in net earnings of associates	970,683	1,309,926	781,230	623,438
Interest income	320,844	267,375	119,446	118,721
Interest expense	(534,295)	(137,364)	(355,390)	(61,300)
Others - net	9,683	166,933	(48,132)	100,792
	766,915	1,606,870	497,154	781,651
INCOME BEFORE INCOME TAX	1,850,562	2,422,834	1,339,486	1,216,663
PROVISION FOR INCOME TAX	210,815	326,621	95,359	139,611
NET INCOME	1,639,747	2,096,213	1,244,127	1,077,052
ATTRIBUTABLE TO:				
EQUITY HOLDERS OF THE PARENT	1,597,662	2,064,800	1,216,829	1,053,846
MINORITY INTERESTS	42,085	31,413	27,298	23,206
	1,639,747	2,096,213	1,244,127	1,077,052

Earnings Per Common Share **

Basic, for income for the period attributable to ordinary holders of the parent	0.22	0.28	0.17	0.14
Diluted, for income for the period attributable to ordinary holders of the parent	0.22	0.28	0.17	0.14

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

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2009 AND 2008
(Amounts in Thousands)
(UNAUDITED)

	JAN-JUN/09	JAN-JUN/08
Profit for the year	1,639,747	2,096,213
Other comprehensive income for the year, net of tax (Schedules A & B)	26,910	154,185
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,666,657	2,250,398
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	1,624,572	2,218,985
Non-controlling interests	42,085	31,413
	1,666,657	2,250,398

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2009 AND DECEMBER 31, 2008
(Amounts in Thousands, Except Dividends Per Share Amounts)

Attributable to equity holders of the parent								
	Capital Stock Common	Additional Paid-in Capital	Share in Other Comprehensive Income of Associates	Acquisition of Minority Interests	Retained Earnings	Total	Non- controlling Interests	Total
Balances at December 31, 2008	7,358,604	12,588,894	(18,422)	(259,147)	10,485,401	30,155,330	536,333	30,691,663
Changes in equity for Jan-Jun 2009:								
Cash dividends - P0.20 per share					(1,471,720)	(1,471,720)		(1,471,720)
Total comprehensive income for the period			26,910		1,597,662	1,624,572	42,085	1,666,657
Changes in minority interest						-	(383)	(383)
Balances at June 30, 2009	7,358,604	12,588,894	8,488	(259,147)	10,611,343	30,308,182	578,035	30,886,217

Attributable to equity holders of the parent								
	Capital Stock Common	Additional Paid-in Capital	Share in Other Comprehensive Income of Associates	Acquisition of Minority Interests	Retained Earnings	Total	Non- controlling Interests	Total
Balances at December 31, 2007 as previously reported	7,358,604	12,588,894	(629,346)	(109,065)	7,814,023	27,023,110	619,424	27,642,534
Effects of adoption of new accounting standard (IFRIC 12)			53,370	1,902	(337,686)	(282,414)	3	(282,411)
Balances at December 31, 2007 as restated	7,358,604	12,588,894	(575,976)	(107,163)	7,476,337	26,740,696	619,427	27,360,123
Changes in equity for Jan-Dec 2008:								
Acquisition of minority interest				(151,984)		(151,984)	(25,962)	(177,946)
Cash dividends - P0.18 per share					(1,324,549)	(1,324,549)		(1,324,549)
Total comprehensive income for the year			557,554		4,333,613	4,891,167	90,715	4,981,882
Changes in minority interest						-	(147,847)	(147,847)
Balances at December 31, 2008	7,358,604	12,588,894	(18,422)	(259,147)	10,485,401	30,155,330	536,333	30,691,663

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2008
(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to equity holders of the parent							
	Capital Stock Common	Additional Paid-in Capital	Share in Other Comprehensive Income of Associates	Acquisition of Minority Interests	Retained Earnings	Total	Non- controlling Interests	Total
Balances at December 31, 2007 as previously reported	7,358,604	12,588,894	(629,346)	(109,065)	7,814,023	27,023,110	619,424	27,642,534
Effects of adoption of new accounting standard (IFRIC 12)			53,370	1,902	(337,686)	(282,414)	3	(282,411)
Balances at December 31, 2007 as restated	7,358,604	12,588,894	(575,976)	(107,163)	7,476,337	26,740,696	619,427	27,360,123
Changes in equity for Jan-Jun 2008:								
Acquisition of minority interest				(151,984)		(151,984)	(25,962)	(177,946)
Cash dividends - P0.18 per share					(1,324,549)	(1,324,549)		(1,324,549)
Total comprehensive income for the year			154,185		2,064,800	2,218,985	31,413	2,250,398
Changes in minority interest						-	120	120
Balances at June 30, 2008	7,358,604	12,588,894	(421,791)	(259,147)	8,216,588	27,483,148	624,998	28,108,146

ABOITIZ POWER CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE PERIODS ENDED JUNE 30, 2009 AND 2008****(Amounts in Thousands)****(UNAUDITED)**

	JAN-JUN/09	JAN-JUN/08	APR-JUN/09	APR-JUN/08
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income tax	1,850,562	2,422,833	1,339,486	1,216,663
Adjustments for:				
Share in net earnings of associates	(970,683)	(1,309,926)	(781,230)	(623,438)
Depreciation and amortization	384,223	233,807	248,280	122,952
Interest income	(320,844)	(267,375)	(119,446)	(118,721)
Interest expense	534,295	137,364	355,390	61,300
Unrealized foreign exchange loss (gain)	84,790	48,980	10,377	65,282
Gain on sale of property, plant and equipment	(61)	-	72	-
Operating income before working capital changes	1,562,282	1,265,683	1,052,929	724,038
Changes in:				
Increase in operating current assets	(2,146,297)	(1,093,663)	(969,763)	(943,162)
Increase (decrease) in operating current liabilities	1,209,543	(127,942)	512,240	1,355,323
Cash provided by (used in) operations	625,528	44,078	595,406	1,136,199
Income and final taxes paid	(187,058)	(331,399)	(34,323)	(259,070)
Net cash flows from (used in) operating activities	438,470	(287,321)	561,083	877,129
CASH FLOWS FROM INVESTING ACTIVITIES:				
Dividends received	460,184	1,233,299	455,486	980,225
Interest received	358,081	214,631	177,311	118,721
Additional investments in associates	(429)	(1,567,117)	(423)	(1,549,146)
Payments for advances to associates	(1,134,470)	(431,702)	(179,652)	(711,501)
Additions to property, plant and equipment - net	(21,081,316)	(817,828)	(20,661,101)	(498,643)
Acquisition of minority interests	-	(177,948)	-	-
Additions to intangible assets - service concession rights	(41,459)	-	(23,316)	-
Decrease (increase) in other assets	(514,526)	97,303	(496,540)	23,848
Net cash flows used in investing activities	(21,953,935)	(1,449,362)	(20,728,235)	(1,636,496)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from (payments for) loans payable	(899,590)	293,220	(236,200)	254,340
Proceeds from long-term debt	15,415,139	21,460	15,022,137	24,680
Payments to preferred shareholders of a subsidiary	(20,131)	(20,782)	5,469	5,891
Interest paid	(444,538)	(140,386)	(215,685)	(61,300)
Cash dividends paid	(1,471,720)	(1,324,549)	-	-
Decrease in minority interest	(384)	(25,844)	-	1,001
Net cash flows from (used in) financing activities	12,578,776	(1,196,881)	14,575,721	224,612
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,936,689)	(2,933,564)	(5,591,431)	(534,755)
EFFECT OF EXCHANGE RATE CHANGES ON				
CASH & CASH EQUIVALENTS	(84,790)	(48,980)	(10,377)	(65,282)
CASH AND CASH EQUIVALENTS AT				
BEGINNING OF PERIOD	14,915,384	13,287,811	11,495,713	10,905,304
CASH AND SHORT-TERM INVESTMENTS AT				
END OF PERIOD	5,893,905	10,305,267	5,893,905	10,305,267

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULES AND DISCLOSURES
AS OF JUNE 30, 2009 AND DECEMBER 31, 2008
(Amounts in Thousands Unless Otherwise Stated)

A. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	JAN-JUN/09	JAN-JUN/08
Share of other comprehensive income of associates	26,910	154,185
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income for the period	26,910	154,185

B. TAX EFFECTS RELATING TO EACH COMPONENT OF OTHER COMPREHENSIVE INCOME

	JAN-JUN/09		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Share of other comprehensive income of associates	26,910		26,910
Other comprehensive income for the period	26,910	-	26,910

	JAN-JUN/08		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Share of other comprehensive income of associates	154,185		154,185
Other comprehensive income for the period	154,185	-	154,185

C. INVESTMENTS IN AND ADVANCES TO ASSOCIATES

	% OWNERSHIP		
	2009	JUN 2009	DEC 2008
Investments in shares of stock			
At equity			
Acquisition cost:			
Manila Oslo Renewable Enterprise, Inc.	83.33%	7,305,257	7,305,257
STEAG State Power Inc.	34.00%	4,400,611	4,400,611
Luzon Hydro Corporation	50.00%	1,048,251	1,048,251
East Asia Utilities Corporation	50.00%	1,009,143	1,009,143
Hijos de Escaño, Inc.	46.66%	857,237	857,237
Visayan Electric Co., Inc.	55.12%	655,249	654,820
Western Mindanao Power Corporation	20.00%	263,665	263,665
Redondo Peninsula Energy, Inc.	50.00%	277,545	277,545
Pampanga Energy Ventures, Inc.	42.84%	209,465	209,465
San Fernando Electric Light & Power Co., Inc.	43.78%	180,864	180,864
Southern Philippines Power Corporation	20.00%	152,587	152,587
Cordillera Hydro Corporation	35.00%	88	88
Others		28,382	28,382
Balance at end of period		16,388,344	16,387,915
Accumulated equity in net earnings:			
Balance, beginning of year		3,263,941	2,979,930
Effect of adoption of IFRIC 12			(341,228)
Balance, beginning of year, as restated		3,263,941	2,638,702
Share in net earnings		970,683	2,784,511
Cash dividends received		(460,184)	(2,159,272)
Balance, end of period		3,774,440	3,263,941
Share in cumulative translation adjustments of associates		8,488	(18,422)
Investments in shares of stock, at equity		20,171,272	19,633,434
Advances to associates - net		2,751,938	1,617,467
		22,923,210	21,250,901

D. ACCOUNTS PAYABLE & ACCRUED EXPENSES

Trade	1,409,399
DOSRI	-
Others	2,935,722
TOTAL	4,345,121

E. SHORT-TERM LOANS

	Effective Interest Rate	JUN 2009	DEC 2008
Financial institutions	2.15% - 5.78%	3,898,530	4,798,120

F. LONG-TERM LOANS

	Interest Rate	JUN 2009	DEC 2008
Company:			
Financial institutions - unsecured			
Tranche 1 or 5 year corporate note	8.78%	3,330,000	3,330,000
Tranche 2 or 7 year corporate note	9.33%	560,000	560,000
Retail Bonds			
5 year bonds	8.70%	2,294,420	
3 year bonds	8.00%	705,580	
		6,890,000	3,890,000
Subsidiaries:			
APRI			
Non-financial institution	12.75%	11,613,398	
HI			
Financial institution - secured	8.36%	646,000	647,000
HSI			
Financial institution - secured	8.52%	2,540,209	1,715,796
SEZC			
Financial institution - secured	8.26% - 10.02%	341,000	341,000
		15,140,607	2,703,796
Total		22,030,607	6,593,796
Less: Deferred financing costs		111,293	71,799
		21,919,314	6,521,997
Less: Current portion		1,132,905	16,145
		20,786,409	6,505,852

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.	P2,294,420
3-year bonds to mature on April 30, 2012	8.0%/p.a.	P705,580

H. EARNINGS PER SHARE

Earnings per common share amounts were computed as follows:

	JUN 2009	JUN 2008
a. Net income to common stockholders	1,597,662	2,064,800
b. Average number of outstanding shares	7,358,604,307	7,358,604,307
c. Earnings per share (a/b)	0.22	0.28

I. BUSINESS SEGMENT INFORMATION

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The power generation segment is engaged in the generation and supply of power to NPC and other customers. The power distribution segment is engaged in the distribution and sale of electricity to the end-users. The parent company and others include the operations of the Company and electricity-related services of the Group. The Group operates and generates revenue principally only in the Philippines (ie. one geographical location). Thus, geographical segment information is not presented.

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 arms length transaction basis.

Segment assets do not include deferred tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred 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:

	DISTRIBUTION		GENERATION		PARENT COMPANY & OTHERS		Eliminations and Adjustments		CONSOLIDATED	
	JAN-JUN/09	JAN-JUN/08	JAN-JUN/09	JAN-JUN/08	JAN-JUN/09	JAN-JUN/08	JAN-JUN/09	JAN-JUN/08	JAN-JUN/09	JAN-JUN/08
REVENUE										
External	5,272,258	4,663,464	2,140,845	1,378,994	37,898	54,510	-	-	7,451,001	6,096,968
Inter-Segment	-	-	68,081	42,227	99,123	93,438	(167,204)	(135,665)	-	-
Total Revenue	5,272,258	4,663,464	2,208,926	1,421,221	137,021	147,948	(167,204)	(135,665)	7,451,001	6,096,968
Segment results	508,330	596,996	584,275	266,603	(8,958)	(47,635)	-	-	1,083,647	815,964
Unallocated corporate income (expenses)	186,076	157,832	(199,694)	(3,599)	23,301	12,700	-	-	9,683	166,933
INCOME FROM OPERATIONS	694,406	754,828	384,581	263,004	14,343	(34,935)	-	-	1,093,330	982,897
Interest Expense	(57,253)	(35,725)	(186,934)	(40,931)	(309,921)	(86,761)	19,813	26,053	(534,295)	(137,364)
Interest Income	4,622	5,959	18,517	52,505	317,518	234,964	(19,813)	(26,053)	320,844	267,375
Share in net earnings of associates	82,531	185,295	888,152	1,124,631	1,593,267	2,005,224	(1,593,267)	(2,005,224)	970,683	1,309,926
Provision for Income tax	(167,712)	(218,046)	(33,195)	(64,739)	(9,908)	(43,836)	-	-	(210,815)	(326,621)
NET INCOME	556,594	692,311	1,071,121	1,334,470	1,605,299	2,074,656	(1,593,267)	(2,005,224)	1,639,747	2,096,213
OTHER INFORMATION										
Investments in associates	2,068,592	2,305,998	18,102,680	14,162,595	21,764,380	21,068,472	(21,764,380)	(21,068,472)	20,171,272	16,468,594
Segment Assets	7,594,568	7,179,360	58,305,629	19,772,747	42,529,597	30,619,034	(45,127,394)	(20,476,128)	63,302,400	37,095,013
Segment Liabilities	4,175,637	3,592,061	40,931,454	2,635,655	12,163,967	3,089,246	(24,854,875)	(330,095)	32,416,183	8,986,867
Depreciation & amortization	176,301	153,445	203,873	77,483	4,049	2,879			384,223	233,807

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, amounts owed by parent company and related parties, accounts payable and accrued expenses and customers' deposits, which arise directly from its operations.

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

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

In managing its long term financial requirements, the Group's policy is that not more than 25% of long term borrowings should mature in any twelve-month period. 4.81% of its debt will mature in less than one year at June 30, 2009 (December 31, 2008: 0.31%). 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 following table summarizes the maturity profile of the Group's financial liabilities as of June 30, 2009 based on contractual undiscounted principal payments (amounts in thousands):

	Total Carrying Value	Contractual Undiscounted Principal Payments				
		Total	On demand	Less than 1 year	1 to 5 years	> 5 years
Trade and other payables	2,244,895	2,212,835	-	2,212,835	-	-
Due to related parties	2,100,226	2,100,226	973,407	1,126,819	-	-
Customers' deposits	1,670,583	1,670,583	-	89,507	14,761	1,566,315
Bank loans	3,898,530	3,898,530	-	3,898,530	-	-
					93,210	
Payable to preferred shareholders of subsidiary	77,093	124,280	-	31,070	-	-
Obligations on PDS	309,638	800,000	-	40,000	200,000	560,000
Long-term debt	21,919,314	22,030,607	-	1,132,905	13,301,549	7,596,153
Total	32,220,279	32,837,061	973,407	8,531,666	13,609,520	9,722,468

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, 2009, all of the Group's long term debt had fixed rates ranging from 8.26% to 12.75%. As of December 31, 2008, 11% of the Group's long term debt had floating interest rates ranging from 6.29% to 9.47%, and 89% are with fixed rates ranging from 8.26% to 10.02%

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

As of June 30, 2009

	<1 year	1-5 years	>5 years	Total
Fixed rate - long-term debt	1,132,905	13,219,903	7,566,506	21,919,314
Floating rate - payable to pref shareholders of subsidiaries	5,632	71,461	-	77,093
	1,138,537	13,291,364	7,566,506	21,996,407

As of December 31, 2008

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	1000	646,000	-	647,000
Fixed rate - long-term debt	15,145	3,886,740	1,973,112	5,874,997
Floating rate - payable to pref shareholders of subsidiaries	9,194	88,030	-	97,224
	25,339	4,620,770	1,973,112	6,619,221

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

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

	Increase/ (decrease) in basis points	Effect on profit before tax for the quarter
June 2009	100	(6,470)
	-50	3,235

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

	June 2009	June 2008
Bank loans and long term debt	511,034	121,892
Customers' deposits	2,819	2,729
Obligations on power distribution system	17,822	12,180
Advances from related parties	2,620	563
	<u>534,295</u>	<u>137,364</u>

Foreign exchange risk. The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of June 30, 2009 and December 31, 2008, foreign currency denominated borrowings account for 15% and 34%, respectively, of total consolidated borrowings.

Presented below are the Group's foreign currency-denominated financial assets and liabilities as of June 30, 2009 and December 31, 2008, translated in Philippine peso:

	JUNE 30, 2009		DECEMBER 31, 2008	
	US Dollar	Philippine Peso Equivalent	US Dollar	Philippine Peso Equivalent
Current Financial Assets				
Cash	38,733	1,864,197	61,336	2,914,665
Current Financial Liabilities				
Bank loans	81,000	3,898,530	81,000	3,849,120
	(42,267)	(2,034,333)	(19,664)	(934,455)

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 profit before tax as of June 30, 2009.

	Increase (decrease) in US dollar rate	Effect on income before income tax
US dollar denominated accounts	5%	(101,717)
US dollar denominated accounts	-5%	101,717

The increase in dollar rate represents the depreciation of the Philippine peso while the decrease in 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 statement of income.

Credit risk. For its cash investments, AFS investments and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these assets. With respect to cash and AFS investments, the risk is mitigated by the short term and or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk.

The Group ensures that sales are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The Group has no significant concentration risk to a counterparty or group of counterparties.

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

	June 30, 2009	December 31, 2008
Residential	238,359	190,543
Commercial	97,061	95,795
Industrial	447,505	278,214
Streetlighting/Flat Rate	2,954	13,717
Power distribution utilities/off-takers	1,149,487	203,774
	1,935,366	782,043

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended June 30, 2009 and December 31, 2008.

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

Gearing ratios of the Group as of June 30, 2009 and December 31, 2008 are as follows:

	June 30, 2009	December 31, 2008
Bank Loans	3,898,530	4,798,120
Long - term debt	21,996,407	6,619,221
Cash and cash equivalents	(5,893,905)	(14,915,384)
Temporary advances from (to) related parties	(979,200)	(396,600)
Net Debt (a)	19,021,832	(3,894,643)
Equity	30,886,217	30,691,663
Equity and Net Debt (b)	49,908,049	26,797,020
Gearing Ratio (a/b)	38.11%	(14.53%)

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.

	JUNE 30, 2009		DECEMBER 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Loans and receivables				
Cash and cash equivalents				
Cash on hand and in banks	456,243	456,243	622,301	622,301
Short-term investments	5,437,662	5,437,662	14,293,083	14,293,083
	5,893,905	5,893,905	14,915,384	14,915,384
Trade and other receivables				
Trade receivables	1,935,366	1,935,366	782,043	782,043
Due from related parties	979,200	979,200	396,600	396,600
Other receivables	647,436	647,436	812,431	812,431
	3,562,002	3,562,002	1,991,074	1,991,074
AFS financial assets	3,744	3,744	3,744	3,744
	9,459,651	9,459,651	16,910,202	16,910,202
Financial liabilities				
Other financial liabilities				
Bank loans	3,898,530	3,898,530	4,798,120	4,798,120
Long-term debt				
Floating rate long-term debt			647,000	647,000
Fixed rate long term debt	21,919,314	22,064,162	5,874,997	5,917,107
Payable to preferred shareholder of a subsidiary	77,093	77,093	97,224	97,224
	21,996,407	22,141,255	6,619,221	6,661,331
Customers' deposits	1,670,583	1,670,583	1,571,092	1,571,092
Long-term obligation on power distribution system	309,638	407,188	291,816	366,862
Trade and other payables				
Trade payables	1,409,399	1,409,399	985,630	985,630
Due to related parties	2,100,226	2,100,226	1,567,100	1,567,100
Others	835,496	835,496	592,580	592,580
	4,345,121	4,345,121	3,145,310	3,145,310
	32,220,279	32,462,677	16,425,559	16,542,715

As of June 30, 2009 and December 31, 2008, the group does not have any investment in foreign securities. The group has registered and issued P3 billion worth of peso denominated fixed rate retail bonds on April 30, 2009.

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 inactive 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 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.

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.

Variable-rate borrowings

Since repricing of the variable-rate interest bearing loan is frequent (i.e., three-month repricing), the carrying value approximates the fair value.

Long-term obligations on power distribution system

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

The fair values of AFS investments are based on quoted market prices. The publicly-traded equity securities which are owned by the Group are all actively traded in the stock market. The fair values of unlisted AFS assets cannot be reliably measured and are accordingly measured at cost.

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

- PFRS 8, Operating Segments
- Amendments to PAS 1, Presentation of Financial Statements
- PAS 23, Borrowing Costs

PFRS 8, Operating Segments

PFRS 8 replaces PAS 14, Segment Reporting, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated balance sheet and consolidated statement of income and the Group will provide explanations and reconciliations of the differences. This standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party.

This has no significant impact on the Group as its current manner of reporting segment information is already in compliance with this new accounting standard. The way by which different industries are grouped in the business segment disclosure is the same as the one used internally by management in evaluating their operating performances and in allocating resources.

Amendment to PAS 1, Presentation of Financial Statements

This Amendment introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income'. Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This Amendment also requires additional requirements in the presentation of the balance sheet and owner's equity as well as additional disclosures to be included in the financial statements.

The Group has adopted the Amendment to PAS 1 as of January 1, 2009. Adoption of this Amendment gave rise to the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in the profit or loss together with other comprehensive income'. The reason for the Amendment is mainly to aggregate information in the financial statements on the basis of shared characteristics. Consequently, all owner changes in equity are presented in the statement of changes in equity, separately from non-owner changes in equity which are presented only as a single line labelled as "Total Comprehensive Income for the Period". The details of this single line are indicated in the new statement of comprehensive income.

PAS 23, Borrowing Costs

The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group expects that this revision will have no impact on the Group's financial statements since the Group is already capitalizing borrowing costs relating to qualifying 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 company Hedcor Inc. (HI) and LHC (associate), which operate 'run-of-river' hydropower plants since these plants do not have any means to impound water

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

3. Material Events and Changes

a. Dividend Declaration

On February 11, 2009, the Board of Directors (BOD) of the Company approved the declaration of a regular cash dividend of P0.20 a share (P1.472 billion) to all stockholders of record as of February 26, 2009. The dividends were paid on March 23, 2009.

b. Issuance of Retail Bonds

On November 20, 2008, the Company's BOD authorized the issuance of 5-year and 7-year peso-denominated bonds worth P3 billion, with an option to upsize depending on market demand. This was approved by the SEC in March 2009. The bonds were offered to the general public commencing April 15, 2009.

On April 30, 2009, the Company registered and issued the bonds worth P3 billion.

c. Acquisition of the Tiwi-Makban Plants

In July 2008, the Power Sector Assets and Liabilities Management Corporation (PSALM) issued the Notice of Award to AP Renewables, Inc., (APRI), a subsidiary, officially declaring APRI as the winning bidder for the 289-MW Tiwi Geothermal Power Plant located in Tiwi, Albay and the 458-MW Makiling-Banahaw (MakBan) Geothermal Power Plant located in Laguna and Batangas provinces (collectively referred to as the Tiwi-MakBan Geothermal Plants).

Under the terms of the Asset Purchase Agreement (APA), APRI is required to deliver 40% of the purchase price of \$447 million as up-front payment payable on or before the closing date. The balance of 60% is payable in 14 semi-annual payments with an interest of 12% per annum compounded semi-annually. On May 25, 2009, APRI paid PSALM the P8.29 billion downpayment on the purchase price for the Tiwi-MakBan Geothermal Plants which was turned over to APRI on May 26, 2009.

APRI will account for the purchase of the Tiwi-MakBan Geothermal Plants under the purchase method. As of June 30, 2009, it is impracticable to determine the fair values of the Tiwi-MakBan Plants as APRI is still compiling all the required information.

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 CORP. AND SUBSIDIARIES**AGING OF RECEIVABLES**

AS OF : JUN 30/2009

	30 Days	60 Days	90 Days	Over 90 Days	Total
A/R - Trade:					
Power Distribution Customers	551,129	82,705	18,546	34,160	686,540
Power Generation Customers	1,243,808	3,118	0	29,205	1,276,131
Management & Other Services Customers	6,227	4,885	2,235	1,063	14,410
Sub-total - A/R - Trade	1,801,164	90,708	20,781	64,428	1,977,081
Less : Allowance for Doubtful Accounts					41,715
Net Trade Receivables					1,935,366
A/R - Non Trade	1,183,776	11,241	6,918	424,701	1,626,636
Grand Total	2,984,940	101,949	27,699	489,129	3,562,002

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

NORMAL OPERATING CYCLE

Power Subsidiaries

Distribution - 60 days

Generation - 65 days