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October 27, 2009

JANET A. ENCARNACION
HEAD, DISCLOSURE DEPARTMENT
4F The Philippine Stock Exchange, Inc.
PSE Centre, Exchange Road, Ortigas Center
Pasig City

Dear Ms. Encarnacion:

In compliance with the PSE disclosure requirement, we submit the attached Energy Development Corporation Quarterly Report for the period ended September 30, 2009 (SEC Form 17-Q).

Very truly yours,

A handwritten signature in black ink, appearing to read "Erudito S. Recio". The signature is written in a cursive style with a large, prominent loop at the end.

Erudito S. Recio
Investor Relations Manager &
Corporate Information Officer

SEC Number 66381
File Number _____

ENERGY DEVELOPMENT (EDC) CORPORATION
(Formerly PNO Energy Development Corporation)
(Company's full Name)

PNPC Complex, Merritt Road, Ft. Bonifacio, Taguig City
(Company's Address)

(632) 893-6001
(Telephone Number)

September 30, 2009
(Quarter Ending)

SEC FORM 17-Q
(Form Type)

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 **September 30, 2009**
2. Commission identification number: **66381**
3. BIR Tax Identification No. **000-169-125-000**
1. Exact name of issuer as specified in its charter: **ENERGY DEVELOPMENT (EDC)
CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
PNPC Complex, Merritt Road, Ft. Bonifacio, Taguig City **1201**
8. Issuer's telephone number, including area code: **(632) 893-6001**
9. Former name, former address and former fiscal year, if changed since last report: **Not
Applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<u>Title of each Class</u>	<u>Number of shares outstanding as of September 30, 2009</u>
Common Stock, P1.00 par value	14,907,000,000
Preferred Stock, P0.01 par value	7,500,000,000

11. Are any or all of the securities listed on a Stock Exchange? **Yes, the common stock.**

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

Philippine Stock Exchange **Common Stock**

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 1 FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Our unaudited financial statements for the quarter ended September 30, 2009 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) and are filed as Annex I of this report.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD & A")

The following is a discussion and analysis of the Company's financial performance for the quarter ended September 30, 2009. The prime objective of this MD&A is to help the readers understand the dynamics of our Company's business and the key factors underlying our financial results. Hence, our MD&A is comprised of a discussion of our core business, and an analysis of the results of operations. This section also focuses on key statistics from the unaudited financial statements and pertains to risks and uncertainties relating to the geothermal industry in the Philippines where we operate up to the stated reporting period. However, our MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general economic, political and environment condition after the stated reporting date.

Our MD&A should be read in conjunction with our unaudited financial statements and the accompanying notes. All financial information is reported in Philippine Pesos (PhP) unless otherwise stated.

Any references in this MD&A to "we", "us", "our", "Company" means the Energy Development (EDC) Corporation.

Additional information about the Company can be found on our corporate website www.energy.com.ph.

The following is a summary of the key sections of this MD&A:

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OVERVIEW OF OUR BUSINESS

Principal Products or Services

As of September 30, 2009, the Company operates twelve geothermal steamfields in the five geothermal service contract areas where it is principally involved in:

- i. the production of geothermal steam for sale to National Power Corporation (NPC) pursuant to Steam Sales Agreements (SSAs) and
- ii. the generation and sale of electricity through geothermal power plants, pursuant to Power Purchase Agreements (PPAs) and Electricity Sales Agreement (ESA), to NPC and privately-owned distribution utilities, respectively.

For the Company's third business segment, EDC provides drilling equipment and rig personnel to the Lihir Gold Limited.

With its acquisition of a 60% equity stake in First Gen Hydro Power Corporation (FG Hydro) last November 17, 2008, EDC now finds itself already involved in the operation of hydro power plants. FG Hydro's 100 MW Pantabangan and 12 MW Masiway Hydroelectric Power Plants (PMHEPP), located in Pantabangan, Nueva Ecija Province, Central Luzon, inject electricity into the Luzon grid to service the consumption of its customers which include the Wholesale Electricity Spot Market (WESM) and distribution utilities clients covered by Transition Supply Contract (TSC).

With this development, the Company has now evolved into being the country's premier pure renewable energy play, possessing interests in geothermal energy and hydro power. For geothermal energy, its expertise spans the entire geothermal value chain, i.e., from geothermal energy exploration and development, reservoir engineering and management, drilling, engineering design and construction, environmental management and energy research and development. With FG Hydro, the Company has not only acquired expertise in hydropower operation and maintenance, but also the capability to sell power on a merchant basis.

The Company has included into its strategic plans the Company's participation in PSALM's auction of the NPC-owned geothermal power generation facilities, namely Palinpinon I and II, Bacman I and II, Tongonan I. Green Core Geothermal Inc. (Green Core), the Company's wholly-owned subsidiary through First Luzon Geothermal Energy Corporation, participated and won in PSALM's auction of the 192.5 MW Palinpinon and 112.5 MW Tongonan geothermal power plants (PTGPP) for USD 220.0 million. On September 16, 2009, PSALM issued the Notice of Award declaring Green Core as the highest bidder and the Certificate of Effectivity of the Asset Purchase Agreement of PTGPP.

Last October 23, 2009, Green Core Geothermal, Inc. successfully completed all conditions precedent required for PSALM's turnover of both the Palinpinon and Tongonan geothermal power plants.

Percentage of sales or revenues contributed by foreign sales

The Company generated ₱614.4 million from the contract it entered into with Lihir Gold Limited (LGL) in Papua, New Guinea. This represents 3.8% of the Company's gross revenues (₱15,986.7 million) from January 1 to September 30, 2009. The Company's contract with LGL was extended up to December 31, 2009 with an option to extend for a further period of 12 months.

Distribution method of products and services

Almost all of 6,113.3 GWh generated by the Company from its steam and electricity business was sold to NPC. Electricity production of about 255.7 GWh, i.e., pertaining to electricity generated by the power plant of FG Hydro, was sold to the WESM and its distribution utility clients comprised of electric cooperatives in the province of Nueva Ecija while 27.9 GWh generated by the power plant in No. Negros was sold to Iloilo I Electric Cooperative, Inc. (ILECO 1). The Company's total generation comprised of 3,791.3 GWh coming from electricity production in Leyte, Mindanao, and Northern Negros areas; 2,066.3 GWh pertaining to steam operations in Leyte, Southern Negros and Sorsogon areas; and 255.7 GWh generated from hydro power plant operations in Pantabangan, Nueva Ecija.

The electricity generated, by either NPC's or the Company's geothermal power plants, is transmitted to NPC's customers i.e., distribution utilities, electric cooperatives or bulk power customers by the National Grid Corporation of the Philippines (NGCP) through its high voltage backbone system. In the case of NNGP, it is EDC's responsibility to deliver its electricity production to NGCP Bacolod sub-station for the eventual transmission to ILECO, EDC's customer.

FG Hydro's electricity production of about 255.7 GWh, sold to the WESM and distribution utilities clients, was delivered to the distribution systems of these customers through the Pantabangan and Cabanatuan substations which are owned, operated and maintained by NGCP.

Competition

The Company's geothermal steam competes against other major energy sources used for the production of electricity, particularly coal, natural gas and oil. Of these, coal and oil are imported.

For the supply of geothermal steam, the only other company operating in the Philippines is Chevron Philippines Geothermal Holdings, Inc. and they operate the Tiwi-Makban steamfield. Recently, Aboitiz Power Corporation, a power distribution and generation company, successfully bid for the 747 MW Tiwi-Makban geothermal plant.

Substantially, all of the Company's steam and power capacity is sold through various forms of offtake agreements, such as steam sales agreements (SSAs) for the supply of steam to NPC-owned power plants, and power purchase agreements (PPAs) for the supply of

electricity to NPC and a contracted distribution utility. Since these agreements provide for take-or-pay quantities, EDC is not subject to direct competition. The take-or-pay provisions are not present in the geothermal resources sales contracts (GRSCs), i.e., sales agreements replacing SSAs upon the privatization of the NPC-owned geothermal power plants.

With its acquisition of a 60% equity stake in FG Hydro last November 17, 2008, EDC now finds itself also involved in the operation of hydro power plants. FG Hydro's PMHEPP injects electricity into the Luzon grid to service the consumption of its customers which include the WESM and distribution utilities clients covered by TSC.

In turn, its participation in the WESM exposes the Company to a more diversified base of Independent Power Producers (IPP) utilizing energy sources other than geothermal energy.

Additionally, non-Philippine companies that are providing geothermal consultancy services in the Asia-Pacific region are West Japan Engineering Consultancy, GeothermEx and Sinclair Knight Merz Engineering Consultancy.

For drilling services in the Philippines, the Company's lone competitor is DESCO, Inc.

Dependence on one major customer

Significantly, almost all of the Company's revenues from its steam and electricity business are derived from its long-term SSAs and PPAs with NPC, respectively.

Concession areas

The five geothermal service contract areas where the Company's geothermal steam fields are located are:

1. Leyte Geothermal Production Field (expiring in 2031)
2. Southern Negros Geothermal Production Field (expiring in 2031)
3. Bacman Geothermal Production Field in Luzon (expiring in 2031)
4. Mindanao Geothermal Production Field (expiring in 2022)
5. No. Negros Geothermal Production Field (expiring in 2024)

On August 28, 2009, EDC submitted its letter of intent to the Department of Energy (DOE) for the conversion of the above geothermal service contracts to Geothermal Renewable Energy Service Contracts. The DOE issued the Company on September 10, 2009 a provisional certificate of registration covering each of the cited GSCs. This entitled EDC to enjoy the fiscal incentives provided for in the RE Act.

The conversion to Geothermal Renewable Energy Service Contract of the existing Service Contracts is pursuant to Section 4.b.ii (2nd paragraph) of the Department Circular No. DC2009-07-0011, or the "Guidelines Governing a Transparent and Competitive System of Awarding Renewable Energy Service/Operating Contracts and Providing for the Registration Process of Renewable Energy Developers. Accordingly, the Company has been granted by

the DOE the corresponding contracts and is now qualified to avail of incentives provided for in R. A. No. 9513, otherwise known as the “Renewable Energy of 2008”.

On September 14, 2009, the EDC entered into Wind Energy service contract with the DOE granting the company the right to explore and develop the Burgos wind project for a period of 25 years, inclusive of 2 years exploration period, extendible for another 25 years. The service contract provide that, among other privileges provided by the RE Law, all materials, equipment, plants and other installations erected or placed on the contract area shall remain the property of the Company throughout the term of the contract and after its termination.

KEY PERFORMANCE INDICATORS

The top five (5) key performance indicators are set forth below:

Ratio	September 30, 2009	September 30, 2008
Current Ratio	1.04:1	0.96:1
Debt-to-Equity Ratio	1.40:1	0.93:1
Net Debt-to-Equity Ratio	0.98:1	0.80:1
Financial Debt-to-EBITDA	4.06:1	2.32:1
Return on Assets (%)	1.95	3.68
Return on Equity (%)	4.87	8.01

Current Ratio – Total current assets divided by total current liabilities.

This ratio is a rough indication of a company’s ability to pay its short-term obligations. Generally, a current ratio above 1.00 is indicative of a company’s greater capability to settle its current obligations.

Debt-to-Equity Ratio – Total interest-bearing debts divided by stockholders’ equity.

This ratio expresses the relationship between capital contributed by the creditors and the owners. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long-term financial safety.

Net-Debt-to-Equity Ratio – Total interest-bearing debts less cash & cash equivalents divided by stockholders’ equity. This ratio measures the company’s financial leverage and stability. A negative net debt-to-equity ratio means that the total of cash and cash equivalents exceeds interest-bearing liabilities.

Financial Debt-to-EBITDA – Unconsolidated total interest-bearing debts divided by unconsolidated earnings before interest, taxes, depreciation and amortization of the parent company. This ratio measures the parent company's ability to pay off its incurred debt and

indicates the approximate amount of time that would be needed to pay off all debt, ignoring the factors of interest, taxes, depreciation and amortization.

Return on Assets – Net income divided by total assets (average)

This ratio indicates how profitable a company is relative to its total assets. This also gives an idea as to how efficient management is at using its assets to generate earnings.

Return on Equity – Net income divided by total stockholders' equity (average)

This ratio reveals how much profit a company earned in comparison to the total amount of shareholder equity found on the balance sheet. A business that has a high return on equity is more likely to be one that is capable of internally generating cash. For the most part, the company's return on equity is compared with an industry average. The company is considered superior if its return on equity is greater than the industry average.

FINANCIAL HIGHLIGHTS

Nine (9) months ended September 30, 2009 vs. 2008

- The recurring net income generated in the first nine months of 2009 increased by 6.3% or ₱300.7 million to ₱5,074.6 million from the ₱4,773.9 million posted during the same period in 2008. The favorable variance was mainly due to the ₱900.7 million increase in total revenues, ₱854.6 million drop in current income tax due to the reduced corporate income tax rate under the Renewable Energy (RE) Law, deferred tax income on the provision for doubtful accounts in 2009 (₱11.8 million) vs. deferred tax expense on the reduction in allowance for doubtful accounts in 2008 (₱461.8 million), ₱361.0 million net realized foreign exchange gains in 2009 in contrast with ₱173.3 million net realized foreign exchange loss in 2008. These were reduced by a ₱2,487.7 million increase in recurring operating expenses, which after adjusting for the ₱1,116.2 million one-time reduction in allowance for doubtful accounts effected in 2008 increased by only ₱1,734.8 million on account of program maintenance of field facilities and work-over of geothermal wells.
- Net income decreased by 47.7% or ₱1,264.3 million to ₱1,388.9 million from the ₱2,653.2 million earned during the same period in 2008. The unfavorable variance was primarily due to the ₱2,959.2 million one-time write-down of net deferred tax assets in 2009 in view of the reduced corporate income tax rate, one-time recognition in 2008 of ₱2,067.3 million as other income pertaining to arbitration award, ₱1,116.2 million reduction in allowance for doubtful accounts as a consequence of the award presented in general and administrative expenses, increase in operating expenses by ₱1,716.5 million and increase in interest expense by ₱426.8 million. These were offset by the ₱5,731.0 million increase in foreign exchange gain (loss) - net and the ₱900.7 million increase in revenues.

Quarter ended September 30, 2009

- The Company's maiden fixed rate corporate notes issuance generated ₱9.0 billion cash.
- On September 10, 2009, the Department of Energy granted the Company the provisional certificates of registration as Renewable Energy (RE) Developer for the Leyte, Palinpinon, Bacon-Manito, Mt. Apo and Northern Negros geothermal projects.

This entitles the Company to the following incentives under the Renewal Energy Act of 2008 effective January 30, 2009, among others:

- Royalty fee rate of 1.5% of gross income on steam and electricity sales.
- Corporate income tax rate of 10%.

RESULTS OF OPERATIONS

The following table details the results of operations for EDC for the first three quarters of 2009 and 2008.

(Amounts in PHP millions)	HORIZONTAL ANALYSIS				VERTICAL ANALYSIS	
	Sept 2009	Sept 2008	Amount	%	2009	2008
				Increase(Decrease)		
Revenue from sale of electricity	10,232.5	9,135.0	1,097.5	12.0%	64.0%	60.6%
Revenue from sale of steam	3,127.6	3,115.1	12.5	0.4%	19.6%	20.6%
Interest income on service concession	1,490.4	1,593.3	(102.9)	-6.5%	9.3%	10.6%
Construction revenue	521.8	727.2	(205.4)	-28.2%	3.3%	4.8%
Revenue from drilling services	614.4	515.4	99.0	19.2%	3.8%	3.4%
TOTAL REVENUES	15,986.7	15,086.0	900.7	6.0%	100.0%	100.0%
Operations and maintenance	(4,465.3)	(3,699.6)	(765.7)	20.7%	-27.9%	-24.5%
General and administrative	(2,603.5)	(622.2)	(1,981.3)	318.4%	-16.3%	-4.1%
Purchased services and utilities	(1,337.4)	(1,140.7)	(196.7)	17.2%	-8.4%	-7.6%
Construction costs	(449.8)	(626.9)	177.1	-28.3%	-2.8%	-4.2%
Depreciation and amortization	(573.0)	(506.9)	(66.1)	13.0%	-3.6%	-3.4%
Total Operating Expenses	(9,429.0)	(6,596.3)	(2,832.7)	42.9%	-59.0%	-43.8%
Interest income - net of final tax	305.1	250.6	54.5	21.7%	1.9%	1.7%
Interest expense	(2,063.6)	(1,636.8)	(426.8)	26.1%	-12.9%	-10.8%
Total Financial Income (Expenses)	(1,758.5)	(1,386.2)	(372.3)	26.9%	-11.0%	-9.1%
Foreign exchange gain (loss) - net	197.1	(5,533.9)	5,731.0	-103.6%	1.2%	-36.7%
Revenue from arbitration award	-	2,067.3	(2,067.3)	-100.0%	0.0%	13.7%
Derivatives gain (loss) - net	(185.2)	(69.1)	(116.1)	168.0%	-1.2%	-0.5%
Miscellaneous - net	(66.3)	224.1	(290.4)	-129.6%	-0.3%	1.6%
Total Other Income (Expenses)	(54.4)	(3,311.6)	3,257.2	-98.4%	-0.3%	-21.9%
INCOME BEFORE INCOME TAX	4,744.8	3,791.9	952.9	25.1%	29.7%	25.2%
Provision for Income Tax						
Current	(1,066.3)	(1,550.9)	484.6	-31.2%	-6.7%	-10.3%
Deferred						
Effect of RE Law	(2,959.2)	-	(2,959.2)	100.0%	-18.5%	0.0%
Others	669.6	412.2	257.4	62.4%	4.2%	2.7%
	(3,355.9)	(1,138.7)	(2,217.2)	194.7%	-21.0%	-7.6%
NET INCOME	1,388.9	2,653.2	(1,264.3)	-47.7%	8.7%	17.6%
Attributable to:						
Equity Holders of the Parent	1,272.8	2,594.3	(1,321.5)	-50.9%	8.0%	17.2%
Minority interests	116.1	58.9	57.2	97.1%	0.7%	0.4%
EBITDA	7,130.6	8,996.6	(1,866.0)	-20.7%	44.6%	59.6%
RECURRING NET INCOME	5,074.6	4,773.9	300.7	6.3%	31.7%	31.6%

YTD September 30, 2009 vs. YTD September 30, 2008

Revenues

Revenues for the period ended September 30, 2009 increased by 6.0% or ₱900.7 million to ₱15,986.7 million from ₱15,086.0 million during the same period in 2008 primarily due to the rise in average price/KWh for electricity sales.

Revenue from Sale of Electricity

Revenue from sale of electricity increased by 12.0% or ₱1,097.5 million to ₱10,232.5 million in the first nine months of 2009 from ₱9,135.0 million during the same period in 2008 mainly on account of:

- Higher billed average price by ₱0.2341/KWh, due to the increase in inflation factor with the depreciation of the Peso against the US dollar (₱947.4 million);
- Higher sales volume by 59.0 GWh of Mindanao I in 2009 as the plant was put on shutdown by our BOT contractor from July 28, 2008 to October 11, 2008 due to a damaged 75 MVA transformer (₱181.5 million);
- Higher sales volume by 14 GWh of Unified Leyte in 2009 due to the Company's increase in annual nominated energy from 4,211 GWh to 4,288 GWh starting July 25, 2009 (₱40.2 million); and
- Increased sales volume in 2009 of the No. Negros power plant by 12.1 GWh. with its re-commissioning last May 13, 2009 (₱31.8 million).

These favorable variances were partly offset by lower sale volume by 31.5 GWh of FG Hydro due to lower dispatch and irrigation requirements (₱127.7 million).

Revenue from Sale of Steam

Revenue from sale of steam was up by 0.4% or ₱12.5 million to ₱3,127.6 million in the first three quarters of 2009 from the ₱3,115.1 million during the same period in 2008. The increase was attributed to the following:

- Full recognition of Palinpinon 1 and Tongonan 1 billings as revenues effective January and February 2009, respectively, due to the full amortization of their respective concession receivables as per IFRIC 12 (₱204.4 million); and
- ₱0.0622/KWh hike in average price due to higher inflation factor (₱128.5 million).

These were partly offset by the following:

- Recognition of Tongonan 1's generation loss for 2009 (142 GWh); Palinpinon 2's lower sales volume due to a drop of tested dependable capacity of Okoy 5 module

from 19.48 MW to 17.53 MW effective May 25, 2008 as a result of measurements conducted on March 9-12, 2008 (22 GWh); lost operating hours incurred by Bacman's Botong module due to the PMS conducted in April 2009 and suspension of NPC's obligations by reason of Force Majeure effective May 2, 2009 due to damages sustained from typhoon "Dante" (16.2 GWh) and the additional day of operation for 2008, i.e., being a leap year (₱314.4 million); and

- Lower inflation adjustments on prior year's revenue recognized in 2009 based on NSO's final indices (₱6.1 million).

Interest Income on Service Concession

Interest income on concession receivable decreased by ₱102.9 million, or 6.5%, to ₱1,490.4 million in the first nine months of 2009 from ₱1,593.3 million during the same period in 2008. The decrease was brought about by the full amortization of concession receivable for Palinpinon I and Tongonan I in December 2008 and January 2009, respectively, and the declining balance of concession receivable for Palinpinon II, Bacman I & II, Mindanao I & II and Unified Leyte. The recognition of interest income on Service Concession is in accordance with the adoption of Philippine Interpretation of IFRIC 12.

Construction Revenue

The recognition of construction revenue is in accordance with the adoption of Philippine Interpretation IFRIC 12. On-going developmental activities in No. Negros Project's buffer zone and in the Tanawon Project resulted to construction revenues in 2009 amounting to ₱498.7 and ₱23.1 million, respectively.

Revenue from Drilling Services

Revenue from drilling services increased by ₱99.0 million, or 19.2%, to ₱614.4 million in the first nine months of 2009 from ₱515.4 million during the same period in 2008. The positive variance was mainly attributed to the increased unit rates for various drilling services as per the new contract. Higher average Php:US\$ exchange rate for the respective period (2009- ₱48.12:US\$1.00 vs 2008-~~₱43.89~~:US\$1.00) also contributed to the increase.

Operating Expenses

Operating expenses increased by 42.9% or ₱2,832.7 million to ₱9,429.0 million in the first nine months of 2009 from ₱6,596.3 million for the same period in 2008 mainly due to higher general and administrative expenses (G&A) and operations and maintenance (O&M).

General and Administrative

General and Administrative expenses increased by 318.4% or ₱1,981.3 million to ₱2,603.5 million in the first nine months of 2009 from ₱622.2 million during the same period in 2008. Excluding the ₱1,116.2 million one-time reduction in 2008 for allowance in doubtful accounts, the net increase amounted to ₱865.1 million and is accounted for by the following:

- Income tax due on the 3rd and 4th tranches of revenue from arbitration award (₱363.3 million);
- Higher consultancy services incurred in 2009 primarily for legal services relative to the real property assessments to EDC-Parent and for financial, business development and other services rendered by First Gen Corporation (₱190.9 million);
- Provision for impairment of inventory materials with none during the same period in 2008 (₱119.8 million);
- Higher business and other expenses (₱95.3 million); and
- Higher allowance for doubtful accounts mainly for input VAT claims from the BIR (₱88.8 million).

Operations and Maintenance

Operations and maintenance expenses increased by 20.7% or ₱765.7 million to ₱4,465.3 million in the first nine months of 2009 from ₱3,699.6 million during the same period in 2008. Excluding the ₱248.4 million one-time reversal in 2008 for an over accrual in business tax for Unified Leyte, the net increase of ₱517.3 million is accounted for by the following:

- Purchase of Turbine Rotor Blades for the Mahanagdong power plant in Leyte (₱297.0 million) in 2009;
- Higher expenses for the Leyte Steam Augmentation Project (₱441.5 million);
- Real property tax payments in 2009 for Unified Leyte power plants from CY2004 to 2009 (₱204.6 million); and

The foregoing variances were reduced by the following:

- Lower royalty fees for 2009 (₱323.7 million) starting January 30, 2009 as per incentives provided under Renewable Energy Act of 2008. The applicable royalty fee has been reduced to 1.5% of gross income on steam and electricity sales.

Purchased Services and Utilities

Purchased services and utilities increased by 17.2% or ₱196.7 million to ₱1,337.4 million in the first nine months of 2009 from ₱1,140.7 million during the same period in 2008, mainly on account of higher expenses on professional/consultancy services particularly for the Leyte Steam Augmentation Project (₱146.0 million), other geothermal drilling and third-party drilling operations in Lihir (₱81.3 million), purchased services for the shipment of drilling materials to field geothermal projects (₱63.2 million) and for rehabilitation works undertaken in the Bacman Project as a result of Typhoon Dante (₱55.6 million).

The increase was partly offset by lower BOT fees (₱140.1 million) with the completion of the contracts for Mindanao I & II geothermal power plants.

Construction Costs

The recognition of construction cost is in accordance with the adoption of Philippine Interpretation IFRIC 12. On-going developmental activities in No. Negros Project's buffer zone and in the Tanawon Project resulted to construction costs amounting to ₱429.9 million and ₱19.9 million, respectively.

Depreciation and Amortization

The 13.0% or ₱66.1 million increase to ₱573 million in the first nine months of 2009 from ₱506.9 million during the same period in 2008 was mainly due to the depreciation of newly acquired plant equipment and assets assigned to head office and drilling groups.

Financial Income (Expenses)

Financial Expenses-net increased by 26.9% or ₱372.3 million to ₱1,758.5 million in the first nine months of 2009 from ₱1,386.2 million during the same period in 2008 due to higher debt servicing costs largely on account of the IFC loan and the Fixed Rate Corporate Notes (FRCN) availed in January and September 2009, respectively.

Interest Income – net

Interest income-net of final tax increased by 21.7% or ₱54.5 million to ₱305.1 million in the first nine months of 2009 from ₱250.6 million during the same period in 2008. The favorable variance was contributed by higher balances of investible funds coming primarily from IFC loan availed in January 2009 (₱73.5 million) reduced by lower interest income accretion on outstanding NPC receivable further to the Arbitral Award (₱7.7 million).

Interest Expense

Interest expense increased by 26.1% or ₱426.8 million to ₱2,063.6 million in the first nine months of 2009 from ₱1,636.8 million during the same period in 2008. The increase is primarily on account of the following loan availments in 2009: (1) IFC Loan (₱231.6 million), (2) fixed rate corporate notes (FRCN) (₱182.4 million) and (3) short-term financing from other the local banks (₱124.5 million).

The foregoing variances were reduced by the following:

- Lower interest charges on loans due to the full settlement of the Miyazawa I loan in June 2009 and to lower outstanding balances of IBRD, JBIC loans and PSALM's deferred payment facility for FG Hydro (₱117.1 million); and
- Lower accretion of Day 1 gain on royalty fee payable due to regular amortization payments (₱115 million).

Other Income (Charges)

The reported other charges – net significantly decreased by 98.4% or ₱3,257.2 million to ₱54.4 million in the first nine months of 2009 from ₱3,311.6 million during the same period in 2008. The favorable variance was primarily contributed by the current period's foreign exchange gain in contrast to the prior period's foreign exchange loss, partly offset by the ₱2,067.3 million arbitral award rendered on March 25, 2008.

Foreign Exchange Gain (Loss) - net

A ₱197.1 million foreign exchange gain - net was recognized for the first nine months of 2009 as against a ₱5,533.9 million loss during the same period in 2008, primarily due to appreciation of PhP vs. US\$ in 2009 in contrast to the PhP depreciation vs. US\$ during same period in 2008. Also contributing to this was the slight appreciation of JPY vs. the US\$ for the current period as against the significant appreciation of JPY vs. the US\$ in 2008.

The comparative foreign exchange rates against the USD were as follows:

	JPY:US\$	PHP:US\$
December 31, 2007	113.688	41.411
September 30, 2008	104.188	47.264
December 31, 2008	90.942	47.520
September 30, 2009	90.106	47.390

Revenue from Arbitration Award

Revenue from arbitration award pertains to the one time recognition of a ₱2,067.3 million income arising from the favorable award to EDC pertaining to the long-standing contract implementation issues on PPAs with NPC. The award was rendered last March 25, 2008.

Derivatives Gain (Loss) - net

Derivative loss - net increased by 168.0% or ₱116.1million to the ₱185.2 million from ₱69.1 million during the same period in 2008. The increase was mainly brought about by the loss on forward currency contracts with Calyon for Japanese Yen (₱165.1 million) and various banks for US dollar currency (₱10.5 million) while the ₱69.1 million derivative loss during the same period in 2008 mainly pertained to the forward currency contract with Calyon (₱98.6 million). The foregoing hedging contracts, covering the Miyazawa 1 loan, were all consummated on May 28, 2009.

Additionally, FG Hydro's recognition of ₱9.5 million derivatives loss as against the ₱29.5 million derivatives gain during the same period in 2008 on embedded currency options in its PRUP Contract with VA TECH HYDRO GmbH, now known as Andritz Hydro GmbH (Contractor), contributed to the unfavorable variance.

Miscellaneous – net

Miscellaneous charges - net increased by 129.6 % or ₱290.4 million to ₱66.3 million in 2009 from ₱224.1 million miscellaneous income-net during the same period in 2008, mainly on account of the following:

- Lower other income recognized for the appraised value of spare part inventories of the Mindanao power plants turned over by the BOT contractor in June 2009 (₱54 million) vs. Unified Leyte in June 2008 (₱260.6 million); and
- Write-down of exploration and evaluation assets, i.e., well TO-1D of Mindanao project, (₱77.6 million).

Provision for (Benefit from) Income Tax

Current tax expense decreased by 31.2% or ₱484.6 million to ₱1,066.3 million in the first nine months of 2009 from ₱1,550.9 million during the same period in 2008. This was mainly due to the reduced corporate income tax rate under the Renewable Energy (RE) Law of 10% starting February 2009 and 30% for January 2009 versus 35% in 2008 (₱854.6 million) and income tax paid in 2008 on Tranches 1 & 2 of the arbitral award (₱194.5 million), partly offset by the payment of income tax liability on income on the sale of FB land and building (₱564.5 million).

Deferred tax expense increased by ₱2,701.8 million to ₱2,289.6 million in the first nine months of 2009 from the ₱412.2 million deferred tax income during the same period in 2008 mainly due to the following:

- Write-down of ₱2,959.2 million deferred tax assets- net balance as of January 31, 2009 due to the effect of the implementation of Renewable Energy Act; and

- Deferred tax liability on unrealized foreign exchange gains in 2009 in contrast with the unrealized foreign exchange loss in 2008 (₱884 million).

These were reduced by the following:

- Higher deferred tax benefit due to the provision for doubtful accounts in 2009 (₱11.8 million) vs. reduction in allowance for doubtful accounts in 2008 (₱461.8 million); and
- Reclassification to current tax expense of the settlement in 2009 of deferred tax liabilities on 3rd and 4th tranches arbitration income (₱311.4 million) and income on the sale of FB land and building (₱309.3 million).

Net Income

Net income in the first nine months of 2009 decreased by 47.7% or ₱1,264.3 million to ₱1,388.9 million from ₱2,653.2 million during the same period in 2008. The lower return resulted largely from the write-down of deferred tax assets, higher operating expenses and one-time transaction reported in 2008, i.e., arbitral award to EDC. These were reduced by the current period's foreign exchange gain in contrast to the prior period's foreign exchange loss and the increase in revenues.

Net income represented 8.7% of total revenues in the first nine months of 2009 compared to the 17.6% during the same period in 2008. The reduction was essentially accounted by higher operating expenses this year.

CAPITAL AND LIQUIDITY RESOURCES

As of the quarter ended (in millions of pesos)	Q3 2009	Q3 2008	YoY change
Balance Sheet Data			
Total Assets	73,158.8	72,014.4	1.6%
Total Debt	44,802.1	40,289.0	11.2%
Total Stockholders' Equity	28,356.7	31,725.4	-10.6%

The Company's assets as of September 30, 2009 amounted to ₱73,158.8 million, 1.6% higher as compared to the ₱72,014.4 million level as of September 30, 2008.

BALANCE SHEET

Horizontal and Vertical Analysis of Material Changes as of September 30, 2009 and December 31, 2008.

(Amounts in PHP millions)	Sept. 2009	Dec. 2008 (Audited)	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Increase (Decrease)		Sept. 2009	Dec. 2008 (Audited)
			Amount	%		
ASSETS						
Current Assets						
Cash and cash equivalents	11,815.6	957.1	10,858.5	1134.5%	16.2%	1.4%
Trade and other receivables - net	3,453.1	5,412.1	(1,959.0)	-36.2%	4.7%	7.8%
Current portion of concession receivable	2,082.2	2,048.1	34.1	1.7%	2.8%	3.0%
Available-for-sale (AFS) investments	750.8	674.5	76.3	11.3%	1.0%	1.0%
Parts and supplies inventories - at cost	1,518.9	1,563.3	(44.4)	-2.8%	2.1%	2.3%
Due from related parties	5.3	-	5.3	100.0%	0.0%	0.0%
Derivative assets	-	614.1	(614.1)	-100.0%	0.0%	0.9%
Other current assets	719.9	657.4	62.5	9.5%	1.0%	0.9%
	20,345.8	11,926.6	8,419.2	70.6%	27.8%	17.3%
Noncurrent assets held for sale	541.8	1,797.6	(1,255.8)	-69.9%	0.7%	2.6%
Total Current Assets	20,887.6	13,724.2	7,163.4	52.2%	28.5%	19.9%
Non-Current Assets						
Concession receivable - net of current portion	31,077.2	32,647.3	(1,570.1)	-4.8%	42.5%	47.1%
Property, plant and equipment - net	6,064.0	5,280.1	783.9	14.8%	8.3%	7.6%
Goodwill and intangible assets - net	12,121.1	11,882.9	238.2	2.0%	16.6%	17.1%
Deferred tax assets - net	1,121.4	3,410.4	(2,289.0)	-67.1%	1.5%	4.9%
Exploration and evaluation assets	1,028.8	999.8	29.0	2.9%	1.4%	1.4%
Derivative assets	25.4	34.9	(9.5)	-27.2%	0.0%	0.1%
Other noncurrent assets - net	833.3	1,366.0	(532.7)	-39.0%	1.2%	1.9%
Total Noncurrent Assets	52,271.2	55,621.4	(3,350.2)	-6.0%	71.5%	80.1%
TOTAL ASSETS	73,158.8	69,345.6	3,813.2	5.5%	100.0%	100.0%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Trade and other payables	2,930.5	2,979.9	(49.4)	-1.7%	4.0%	4.3%
Loan payable	2,000.0	2,000.0	-	0.0%	2.7%	2.9%
Income tax payable	-	84.8	(84.8)	-100.0%	0.0%	0.1%
Due to related parties	170.9	110.9	60.0	54.1%	0.2%	0.2%
Derivative liabilities	-	54.3	(54.3)	-100.0%	0.0%	0.1%
Obligations to a power plant contractor	-	112.2	(112.2)	-100.0%	0.0%	0.2%
Current portion of:						
Long-term debt	14,738.4	8,672.4	6,066.0	69.9%	20.1%	12.5%
Royalty fee payable	209.3	1,688.3	(1,479.0)	-87.6%	0.3%	2.4%
Total Current Liabilities	20,049.1	15,702.8	4,346.3	27.7%	27.3%	22.7%
Noncurrent Liabilities						
Long-term debt - net of current portion	22,736.2	23,557.0	(820.8)	-3.5%	31.1%	34.0%
Royalty fee payable - net of current portion	607.9	-	607.9	100.0%	0.8%	0.0%
Deferred tax liability	11.9	11.3	0.6	5.3%	0.0%	0.0%
Retirement and other post-retirement benefits	1,129.0	1,026.4	102.6	10.0%	1.5%	1.5%
Other long-term liabilities	267.9	312.8	(44.9)	-14.4%	0.6%	0.4%
Total Noncurrent Liabilities	24,752.9	24,907.5	(154.6)	-0.6%	34.0%	35.9%
Total Liabilities	44,802.0	40,610.3	4,191.7	10.3%	61.3%	58.6%
EQUITY						
Equity attributable to equity holders of the Parent						
Common stock	15,000.0	15,000.0	-	0.0%	20.5%	21.6%
Preferred stock	75.0	75.0	-	0.0%	0.1%	0.1%
Additional paid-in capital	6,278.1	6,278.1	-	0.0%	8.6%	9.1%
Equity reserves	(3,706.4)	(3,706.4)	-	0.0%	-5.1%	-5.3%
Cost of treasury stock held	(404.2)	(404.2)	-	0.0%	-0.6%	-0.6%
Accumulated unrealized gain on AFS investments	113.9	30.8	83.1	269.8%	0.2%	0.0%
Deposit for future preferred stock subscription	18.8	-	18.8	100.0%	0.0%	0.0%
Retained earnings	9,381.4	9,977.9	(596.5)	-6.0%	12.8%	14.4%
	26,756.6	27,251.2	(494.6)	-1.8%	36.5%	39.3%
Minority Interest	1,600.2	1,484.1	116.1	7.8%	2.2%	2.1%
Total Equity	28,356.8	28,735.3	(378.5)	-1.3%	38.7%	41.4%
TOTAL LIABILITIES AND EQUITY	73,158.8	69,345.6	3,813.2	5.5%	100.0%	100.0%

Cash and cash equivalents

This account consists of cash on-hand, in-banks and money market placements with maturities of less than three months.

Cash and cash equivalents as of September 30, 2009 stood at ₱11,815.6 million, 1,134.5% or ₱10,858.5 million higher than the December 31, 2008 balance of ₱957.1 million. The increase was primarily accounted for by the following:

- ₱7,682.9 million internal cash generation for the first nine months of 2009, inclusive of the ₱1,000 million collection from NPC for Tranche 3 of the arbitral award;
- ₱9,000.0 million proceeds of fixed rate corporate notes and ₱4,100.0 million proceeds of IFC loan; and,
- ₱1,127.7 million proceeds from the sale of Fort Bonifacio (FB) properties to PNOC

The increase was partly offset by the settlement of Miyazawa I (₱6,270.4 million), regular principal debt servicing of other long-term loans (₱1,816.3 million), combined capital expenditures of both FG Hydro and EDC (₱1,075.8 million) plus the payment of cash dividend (₱1,869.4 million).

Trade and other receivables - net

This account, consisting of receivables from NPC, contractors and employees, decreased by 36.2% or ₱1,959 million as of September 30, 2009 to ₱3,453.1 million from the ₱5,412.1 million balance as of December 31, 2008. The reduction was primarily due to the ₱1,729.2 million NPC's timely payment of August billings, ₱1,000.0 million collection of Tranche 3 of the arbitral award and the ₱293.1 million reclassification to the noncurrent assets account of the input VAT receivable from the BIR as the processing of the refund already extends beyond 2 years. These were offset by ₱871.1 million Tranche 4 of the arbitral award, net of unamortized Day 1 loss, reclassified from the noncurrent assets account.

Current portion of concession receivable

The ₱34.1 million increase is mainly due to the ₱1,490.4 million interest income recognized in 2009 and the reclassification of maturing receivables offset by the ₱3,026.4 million amortization for the current period.

Available-for-sale (AFS) investments

Available-for-sale investments consist of dollar-denominated ROP bonds that can be readily converted to cash.

This account increased by 11.3% or ₱76.3 million to ₱750.8 million as of September 30, 2009 from the ₱674.5 million balance on December 31, 2008 primarily due to favorable increase in fair value of dollar-denominated ROP bonds as of end-September 2009.

Due from related parties

The ₱5.3 million increase in this account pertains mainly to the reclassification from “Other current assets” account of the outstanding advance payment to First Balfour on the procurement contract for various civil, structural, mechanical and piping works for the Leyte Geothermal Production Field.

Derivative assets

This account decreased by 100% from the ₱614.1 million balance as of end-December 2008 with the settlement of the hedging arrangements consisting of range bonus forward and plain vanilla foreign currency forward contracts on May 28, 2009 as the JPY 12 billion Miyazawa I was paid in full last June 1, 2009.

Other current assets

Other current assets consist mainly of BIR’s tax credit certificates, prepaid expenses and advances to contractors.

The ₱62.5 million increase in 2009 from the balance as of December 31, 2008 was attributed mainly to the ₱106.0 million rise in input VAT of FG Hydro with the on-going Pantabangan plant refurbishment and upgrade project, ₱86.7 million restricted cash balance, ₱58.0 million increase in prepaid insurance, and ₱21.7 million increase in prepaid rent and withholding VAT. These were offset by the ₱122.0 million reclassification to trade and other receivables of royalty fee chargeable to NPC in view of its payment to the DOE, ₱48.8 million offsetting of advances to First Balfour from billings and ₱48.4 million input VAT reclassified to noncurrent assets.

Noncurrent assets held for sale

The noncurrent assets held for sale represent the parcel of land, buildings and improvements owned by the Company in its Fort Bonifacio head office, which the Company agreed to sell to PNOC prior to its privatization.

This account decreased by ₱1,255.8 million to ₱541.8 million from the ₱1,797.6 million balance as of December 31, 2008 due to the completion on June 1, 2009 of the sale to PNOC of the portion of land, buildings and improvements owned by the Company in Fort Bonifacio.

Concession receivable – net of current portion

The ₱1,570.1 million decrease in this account is due to the transfer of maturing receivables to the current portion.

Property, plant and equipment - net

Property, plant and equipment-net increased by 14.8% or ₱783.9 million as of September 30, 2009 from the ₱5,280.1 million balance as of December 31, 2008 mainly due to the ₱1,075.8 million capital expenditures for the current period primarily for acquisition of drilling equipment and the on-going Pantabangan plant refurbishment and upgrade project.

Goodwill and intangible assets-net

Goodwill and intangible assets-net increased by 2.0% or ₱238.2 million to ₱12,121.1 million as of September 30, 2009 from the ₱11,882.9 million balance as of December 31, 2008 due to ₱521.8 million fair value of construction services in the No. Negros buffer zone and Tanawon Projects offset by ₱283.6 million amortization charges.

Deferred tax assets - net

Net deferred tax assets dropped 67.1% or ₱2,289.0 million to ₱1,121.4 million as of September 30, 2009 from the ₱3,410.4 million year-end 2008 balance mainly due to the reduction of the corporate income tax rate from 30% to 10% under the RE Law (₱2,959.2 million).

Exploration and evaluation assets

This account increased by 2.9% or ₱29.0 million to ₱1,028.8 million as of September 30, 2009 from the ₱999.8 million balance as of December 31, 2008 primarily due to exploration expenditure for Mindanao III, Dauin and North Luzon Wind Projects.

Derivative assets (non-current)

This account pertains to the fair value of the outstanding embedded currency options on FG Hydro's contract with Andritz Hydro GmbH for the Pantabangan Plant Refurbishment and Upgrade Project (PRUP).

This account decreased by 27.2% or ₱9.5 million to ₱25.4 million as of September 30, 2009 from the ₱34.9 million balance as of December 31, 2008 due to scheduled payments made for the current period by FG Hydro.

Other non-current assets, net

This account decreased by 39.0% or ₱532.7 million to ₱833.3 million as of September 30, 2009 from ₱1,366.0 million as of December 31, 2008 primarily due to the ₱871.1 million reclassification of Tranche 4 of the arbitral award to trade and other receivables account, net of unamortized Day 1 loss, and ₱95.9 million increase in provision for doubtful accounts. These were offset by the ₱382.2 million reclassification to the noncurrent asset account of input VAT receivable from BIR as the processing of the refund already extends beyond 2 years.

Income tax payable

The ₱84.8 million balance as of December 31, 2008 was paid during the period.

Due to related parties

This account increased by 54.1% or ₱60.0 million to ₱170.9 million as of September 30, 2009 from the ₱110.9 million balance as of December 31, 2008 mainly due to ₱106.7 million additional advances of FG Hydro from First Gen.

Obligations to a power plant contractor

Obligations to Marubeni as BOT contractor for the Mindanao power plants were fully settled with the completion of the cooperation period last June 17, 2009.

Current portion of long-term debt

This account increased by 69.9% or ₱6,066.0 million due to the reclassification to the current portion of all maturing debt obligations, primarily the JP¥22 billion Miyazawa II loan maturity on June 26, 2010 offset by the ₱6,270.4 million Miyazawa I loan settled last June 1, 2009 and ₱1,816.3 million in principal amortization payments made.

Current portion of royalty fee payable

This account decreased by 87.6% or ₱1,479.0 million to ₱209.3 million as of September 30, 2009 from ₱1,688.3 million as of December 31, 2008 due to the reclassification to non-current portion of ₱665.3 million outstanding royalty fee due to DOE in view of the renewal of the deferred payment arrangement with DOE last July 7, 2009 and the ₱939.2 million royalty fee payments for the first three quarters of 2009. These were offset by ₱182.4 million royalty fee incurred during the period.

Long-term debt – net of current portion

Long-term debt, consisting of JP¥, US\$ and PhP loans, decreased by 3.5% or ₱820.8 million to ₱22,736.2 million as of September 30, 2009 from ₱23,557.0 million as of December 31, 2008 due to the reclassification to the current portion of the maturing principal obligations offset by the proceeds from the ₱4.1 billion IFC loan and the issuance of ₱9.0 billion fixed rate corporate notes (FRCN) and the ₱154.1 million foreign exchange loss on translation of foreign-currency denominated outstanding loans using September 30, 2009 exchange rates.

Royalty fee payable – net of current portion

This account increased by ₱607.9 million on account of the reclassification from the current portion of ₱665.3 million outstanding royalty fees payable to the DOE in view of the renewal of the deferred payment arrangement with DOE on July 7, 2009, reduced by the ₱57.4 million non-current portion of unamortized Day 1 gain.

Deferred tax liability

This account pertains to the deferred tax liability on unrealized foreign exchange gain arising from the restatement of FG Hydro's Deferred Payment Facility with PSALM.

This account increased by 5.3% or ₱0.6 million to ₱11.9 million as of end-September 2009 from the ₱11.3 million balance as of end-December 2008 due to the unrealized foreign exchange gain for the current period primarily due to appreciation of PhP vs. US\$ in 2009 in contrast to the PhP depreciation vs. US\$ during same period in 2008.

Retirement and other post-retirement benefits

This account pertains to the funded, non-contributory, defined benefit retirement plan maintained which covers all EDC-Parent permanent employees.

This account increased by 10.0% or ₱102.6 million due to the accrual of retirement benefits for the first nine months of 2009.

Other long-term liabilities

This account decreased by 14.4% or ₱44.9 million to ₱267.9 million as of September 30, 2009 from ₱312.8 million as of December 31, 2008 mainly due to the payment of accrued vacation and sick leave credits of employees who retired.

Cost of treasury stock held

This account pertains to the 93,000,000 common shares which were bought back for the Company's programmed stock-based benefits plans.

Accumulated unrealized gain on AFS investments

This account increased by 269.8 % or ₱83.1 million to ₱113.9 million as of September 30, 2009 from ₱30.8 million at end-December 2008 mainly due to favorable increase in fair value of the investments.

Deposit for future preferred stock subscription

The ₱18.8 million increase in this account pertains to the deposit on future subscription by the current preferred stockholders equivalent to the 25% of the increase in the authorized preferred shares at par value as approved by the Board of Directors and the stockholders on May 19, 2009 and June 30, 2009, respectively.

Retained earnings

Retained earnings decreased by 6.0% or ₱596.5 million as of September 30, 2009 mainly on account of the ₱1,869.4 million payment of cash dividend on May 11, 2009 offset by ₱1,272.8 million net income for the period attributable to equity holders of the parent.

Minority interest

This account increased by 7.8% or ₱116.1 million to ₱1,600.2 million as of September 30, 2009 from ₱1,484.1 million as of December 31, 2008 balance on account of its share in the net income for the first three quarters of 2009.

BALANCE SHEET

Horizontal and Vertical Analysis of Material Changes as of September 30, 2009 and September 30, 2008.

(Amounts in PHP millions)	Sept. 2009	Sept. 2008	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Increase (Decrease)		Sept. 2008	Sept. 2008
			Amount	%		
ASSETS						
Current Assets						
Cash and cash equivalents	11,815.6	4,047.5	7,768.1	191.9%	16.2%	5.6%
Trade and other receivables - net	3,453.1	6,115.6	(2,662.5)	-43.5%	4.7%	8.5%
Current portion of concession receivable	2,082.2	2,098.5	(16.3)	-0.8%	2.8%	2.9%
Available-for-sale (AFS) investments	750.8	690.1	60.7	8.8%	1.0%	1.0%
Parts and supplies inventories - at cost	1,518.9	1,496.7	22.2	1.5%	2.1%	2.1%
Due from related parties	5.3	-	5.3	100.0%	0.0%	0.0%
Derivative assets	-	15.5	(15.5)	-100.0%	0.0%	0.0%
Other current assets	719.9	360.2	359.7	99.9%	1.0%	0.5%
	20,345.8	14,824.1	5,521.7	37.2%	27.8%	20.6%
Noncurrent assets held for sale	541.8	1,800.5	(1,258.7)	-69.9%	0.7%	2.5%
Total Current Assets	20,887.6	16,624.6	4,263.0	25.6%	28.5%	23.1%
Non-Current Assets						
Concession receivable - net of current portion	31,077.2	33,159.4	(2,082.2)	-6.3%	42.5%	46.0%
Property, plant and equipment - net	6,064.0	4,904.4	1,159.6	23.6%	8.3%	6.8%
Goodwill and intangible assets - net	12,121.1	11,772.4	348.7	3.0%	16.6%	16.3%
Deferred tax assets - net	1,121.4	2,989.7	(1,868.3)	-62.5%	1.5%	4.2%
Exploration and evaluation assets	1,028.8	942.2	86.6	9.2%	1.4%	1.3%
Derivative assets	25.4	30.3	(4.9)	-16.2%	0.0%	0.0%
Other noncurrent assets - net	833.3	1,591.4	(758.1)	-47.6%	1.2%	2.3%
Total Noncurrent Assets	52,271.2	55,389.8	(3,118.6)	-5.6%	71.5%	76.9%
TOTAL ASSETS	73,158.8	72,014.4	1,144.4	1.6%	100.0%	100.0%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Trade and other payables	2,930.5	3,358.5	(428.0)	-12.7%	4.0%	4.7%
Loan payable	2,000.0	84.0	1,916.0	2281.0%	2.7%	0.1%
Income tax payable	-	171.4	(171.4)	-100.0%	0.0%	0.2%
Due to related parties	170.9	4,129.9	(3,959.0)	-95.9%	0.2%	5.7%
Obligations to a power plant contractor	-	170.6	(170.6)	-100.0%	0.0%	0.2%
Current portion of:						
Long-term debt	14,738.4	7,615.2	7,123.2	93.5%	20.1%	10.6%
Royalty fee payable	209.3	1,714.0	(1,504.7)	-87.8%	0.3%	2.4%
Total Current Liabilities	20,049.1	17,243.6	2,805.5	16.3%	27.3%	23.9%
Noncurrent Liabilities						
Long-term debt - net of current portion	22,736.2	21,724.9	1,011.3	4.7%	31.1%	30.2%
Royalty fee payable - net of current portion	607.9	-	607.9	100.0%	0.8%	0.0%
Deferred tax liability	11.9	13.4	(1.5)	-11.2%	0.0%	0.0%
Retirement and other post-retirement benefits	1,129.0	996.7	132.3	13.3%	1.5%	1.4%
Other long-term liabilities	267.9	310.4	(42.5)	-13.7%	0.6%	0.5%
Total Noncurrent Liabilities	24,752.9	23,045.4	1,707.5	7.4%	34.0%	32.1%
Total Liabilities	44,802.0	40,289.0	4,513.0	11.2%	61.3%	56.0%
EQUITY						
Equity attributable to equity holders of the Parent						
Common stock	15,000.0	15,000.0	-	0.0%	20.5%	20.8%
Preferred stock	75.0	75.0	-	0.0%	0.1%	0.1%
Additional paid-in capital	6,278.1	6,278.1	-	0.0%	8.6%	8.7%
Equity reserves	(3,706.4)	(3,706.4)	-	0.0%	-5.1%	-5.1%
Cost of treasury stock held	(404.2)	(401.4)	(2.8)	0.7%	-0.6%	-0.6%
Accumulated unrealized gain on AFS investments	113.9	62.1	51.8	83.4%	0.2%	0.1%
	18.8	-	18.8	100.0%	0.0%	0.0%
Deposit for future preferred stock subscription	-	-	-	-	-	-
Retained earnings	9,381.4	11,264.2	(1,882.8)	-16.7%	12.8%	15.6%
	26,756.6	28,571.6	(1,815.0)	-6.4%	36.5%	39.6%
Minority Interest	1,600.2	3,153.8	(1,553.6)	-49.3%	2.2%	4.4%
Total Equity	28,356.8	31,725.4	(3,368.6)	-10.6%	38.7%	44.0%
TOTAL LIABILITIES AND EQUITY	73,158.8	72,014.4	1,144.4	1.6%	100.0%	100.0%

Cash and cash equivalents

This account consists of cash on-hand, in-banks and money market placements with maturities of less than three months.

Cash and cash equivalents increased by 191.9% or ₱7,768.1 million to ₱11,815.6 million from the ₱4,047.5 million balance as of September 30, 2008 primarily due to:

- ₱9,503.0 million internal cash generation inclusive of the ₱1,000 million collection of Tranche 3 of the favorable arbitral award to EDC;
- ₱9,000.00 million proceeds from fixed rate corporate notes, ₱4,100.0 million proceeds from IFC loan and ₱1,916.0 million proceeds from short-term loans; and,
- ₱1,127.7 million proceeds from sale of Fort Bonifacio (FB) properties to PNOC.

The above increases were reduced by the:

- ₱6,270.4 million settlement of Miyazawa I and ₱2,559.4 million principal amortization of other long-term debts;
- ₱4,114.6 million payment made to First Gen for the acquisition of its 60% equity FG Hydro;
- ₱1,869.4 million and ₱1,000 million cash dividends paid by the parent company and FG Hydro, respectively;
- ₱1,532.4 million capital expenditures primarily for acquisition of drilling equipment and the on-going Pantabangan plant refurbishment and upgrade project and ₱726.8 million outlays for developmental activities in Northern Negros buffer zone and Tanawon Projects

Trade and other receivables - net

This account, consisting of receivables from NPC, contractors and employees, decreased by 43.5% or ₱2,662.5 million to ₱3,453.1 million as of September 30, 2009 from the ₱6,115.6 million balance as of September 30, 2008. The reduction was primarily due to the ₱1,729.2 million NPC's timely payment of August billings, ₱1,000.0 million collection of Tranche 3 of the arbitral award and the ₱293.1 million reclassification to the noncurrent assets account of the input VAT receivable from the BIR as the processing of the refund already extends beyond 2 years. These were offset by ₱871.1 million Tranche 4 of the arbitral award, net of unamortized Day 1 loss, reclassified from the noncurrent assets account.

Current portion of concession receivable

The 8.0% or ₱16.3 million decrease to ₱2,082.2 million from ₱2,098.5 is mainly due to the ₱4,103.4 million amortization offset by ₱2,004.9 million interest income recognized from Q4 of 2008 to Q3 of 2009 and the reclassification to current portion of maturing receivables.

Available-for-sale (AFS) investments

This account increased by 8.8% or ₱60.7 million to ₱750.8 million as of September 30, 2009 from the ₱690.1 million balance as of September 30, 2008 primarily due to the favorable increase in fair value of the dollar-denominated ROP bonds as of end-September 2009.

Due from related parties

The ₱5.3 million increase in this account pertains mainly to the reclassification from “Other current assets” account of the outstanding advance payment to First Balfour on the procurement contract for various civil, structural, mechanical and piping works for the Leyte Geothermal Production Field.

Derivative assets

This account decreased by 100% from the ₱15.5 million balance as of end-September 2008 with the settlement of the hedging arrangements consisting of range bonus forward and plain vanilla foreign currency forward contracts on May 28, 2009 as the JPY 12 billion Miyazawa I was paid in full last June 1, 2009.

Other current assets

Other current assets increased by 99.9% or ₱359.7 million to ₱719.9 million from the ₱360.2 million balance as of September 30, 2008 mainly due to the ₱118.1 million rise in prepaid expenses and input VAT of FG Hydro with the on-going Pantabangan refurbishment and upgrade project, ₱69.8 million prepaid insurance for October to December 2009, ₱55.9 million VAT withheld from the proceeds of the sale of FB properties to PNOC and ₱24.8 million current portion of advance rental for FB buildings.

Noncurrent assets held for sale

This account decreased by 69.9% or ₱1,258.7 million to ₱541.8 million as of September 30, 2009 from the ₱1,800.5 million balance as of September 30, 2008 due to the completion on June 1, 2009 of the sale to PNOC of the portion of land on which the EDC headquarters are situated.

Concession receivable – net of current portion

The ₱2,082.2 million decrease in this account is due to the transfer of maturing receivables to the current portion.

Property, plant and equipment - net

This account was higher by 23.6% or ₱1,159.6 million to ₱6,064.0 million as of September 30, 2009 from the ₱4,904.4 million balance as of September 30, 2008 primarily due to capital expenditures from Q4 of 2008 to Q3 of 2009 of ₱1,532.4 million offset by ₱125.1 million reclassification of the carrying value of Fort Bonifacio buildings and improvements to the noncurrent-assets-held for sale account and depreciation charges.

Goodwill and intangible assets-net

Goodwill and intangible assets-net increased by 3.0% or ₱348.7 million to ₱12,121.1 million as of September 30, 2009 from the ₱11,772.4 million balance as of September 30, 2008 due to ₱726.8 million fair value of construction services in the No. Negros buffer zone and Tanawon Projects offset by ₱378.1 million amortization charges.

Deferred tax assets - net

This account decreased by 62.5% or ₱1,868.3 million to ₱1,121.4 million from the ₱2,989.7 million balance as of September 30, 2008 due to ₱2,959.2 million write-down of net deferred tax assets balance as of January 30, 2009 on account of the full implementation of RE Act and the unrealized foreign exchange gain in translating to Peso the foreign-currency denominated loans to the September 30, 2009 peso-dollar exchange rate.

Exploration and evaluation assets

This account increased by 9.2% or ₱86.6 million to ₱1,028.8 million as of September 30, 2009 from the ₱942.2 million balance as of September 30, 2008 primarily due to exploration costs incurred for Mindanao III, Dauin and North Luzon Wind Projects.

Other non-current assets, net

This account decreased by 47.6% or ₱758.1 million to ₱833.3 million as of September 30, 2009 from ₱1,591.4 million as of September 30, 2008 primarily due to the ₱871.1 million reclassification of Tranche 4 of the arbitral award to trade and other receivables account, net of unamortized Day 1 loss, and ₱364.9 million royalty fee chargeable to NPC reclassified to trade and other receivables account in view of its payment to the DOE (initially advanced by EDC for reimbursement by NPC). These were offset by the ₱382.2 million reclassification to the noncurrent asset account of input VAT receivable from BIR as the processing of the refund already extends beyond 2 years.

Loan payable

The ₱1,916 million increase as of September 30, 2009 was mainly due to the availment of a short-term loan with the Land Bank of the Philippines in the last quarter of 2008.

Income tax payable

The ₱171.4 million decrease was mainly due to the settlement of September 30, 2008 outstanding balance coupled with the implementation of the RE Law retroactive to January 30, 2009, the effective date of the Law.

Due to related parties

This account dropped 95.9% or ₱3,959.0 million to ₱170.9 million as of September 30, 2009 from the ₱4,129.9 million balance as of September 30, 2008 due to settlement of the ₱4,114.6 million amount due to First Gen for the acquisition of 60% interest in FG Hydro.

Obligations to a power plant contractor

Obligations to Marubeni as BOT contractor for the Mindanao power plants were fully settled as of June 30, 2009 with the completion of the cooperation period on June 17, 2009.

Current portion of long-term debt

This account increased by 93.5% or ₱7,123.2 million to ₱14,738.4 million as of September 30, 2009 from ₱7,615.2 million as of September 30, 2008 due to the reclassification to the current portion of all maturing debt obligations, primarily the JP¥22 billion Miyazawa II maturity on June 26, 2010 offset by the ₱6,270.4 million settlement of Miyazawa I loan and ₱2,559.4 million principal amortization payments on OECF and IBRD loans and FG Hydro's deferred payment facility with PSALM.

Current portion of royalty fee payable

This account decreased by 87.8% or ₱1,504.7 million to ₱209.3 million as of September 30, 2009 from ₱1,714.0 million as of September 30, 2008 due to the reclassification to non-current portion of ₱665.3 million outstanding royalty fee due to DOE in view of the renewal of the deferred payment arrangement with DOE last July 7, 2009 and the ₱1,315.5 million royalty fee payments from Q4 of 2008 to Q3 of 2009 offset by ₱476.4 million royalty fee incurred during the same period.

Long-term debt – net of current portion

Long-term debt, consisting of JP¥, US\$ and PhP loans, increased by 4.7% or ₱1,011.3 million to ₱22,736.2 million as of September 30, 2009 from ₱21,724.9 million due to the proceeds from the ₱4.1 billion IFC loan and the issuance of ₱9.0 billion fixed rate corporate notes (FRCN) offset by the reclassification to the current portion of the maturing principal obligations, primarily the JP¥22 billion Miyazawa II maturity on June 26, 2010.

Royalty fee payable – net of current portion

This account increased by ₱607.9 million on account of the reclassification from the current portion of ₱665.3 million outstanding royalty fees payable to the DOE with the renewal of the deferred royalty fee agreement with the DOE on July 7, 2009 reduced by the ₱57.4 million non-current portion of unamortized Day 1 gain.

Deferred tax liability

This account pertains to the deferred tax liability on unrealized foreign exchange gain arising from the restatement of FG Hydro's Deferred Payment Facility with PSALM.

This account decreased to 11.2% or ₱1.5 million to ₱11.9 million as end-September 2009 from the ₱13.4 million balance as of end-September 2008 due to the unrealized foreign exchange loss primarily due to depreciation of PhP vs. US\$ from ₱47.26 as of September 30, 2008 to ₱47.39 as of September 30, 2009.

Retirement and other post-retirement benefits

This account pertains to the funded, non-contributory, defined benefit retirement plan maintained which covers all EDC-Parent permanent employees.

This account increased by 13.3% or ₱132.3 million due to the accrual of retirement benefits.

Other long-term liabilities

This account decreased by 13.7% or ₱42.5 million to ₱267.9 million as of September 30, 2009 from ₱310.4 million as of September 30, 2008 mainly due to the payment of accrued vacation and sick leave credits of employees who retired.

Cost of treasury stock held

This account pertains to the 93,000,000 common shares which were bought back for the Company's programmed stock-based benefits plans.

Accumulated unrealized gain on AFS investments

This account increased by 83.4% or ₱51.8 million to ₱113.9 million as of September 30, 2009 from ₱62.1 million at end-September 2008 mainly due to favorable increase in fair value of the investments.

Deposit for future preferred stock subscription

The ₱18.8 million increase in this account pertains to the deposit on future subscription by the current preferred stockholders equivalent to the 25% of the increase in the authorized preferred shares at par value as approved by the Board of Directors and the stockholders on May 19, 2009 and June 30, 2009, respectively.

Retained earnings

Retained earnings decreased by 16.7% or ₱1,882.8 million to ₱9,381.4 million as of end-September 2009 from ₱11,264.2 as of end-September 2008 primarily due to the ₱1,869.4 million payment of cash dividend in 2009, ₱1,286.2 million net loss for the fourth quarter of 2008 attributable to equity holders of the parent partly offset by ₱1,272.8 million net income for the first nine months of 2009 attributable to equity holders of the parent.

Minority interest

Minority interest was lower by ₱1,553.6 million from end-September 2008 primarily due to the ₱1,000 million payment of cash dividend by FG Hydro in the fourth quarter of 2008.

CASH FLOW

September 30, 2009 vs. September 30, 2008

Net cash provided from operating activities increased by ₱553.9 million, or 7.8%, to ₱7,682.9 million in 2009 compared to ₱7,129.0 million in 2008 mainly due to the ₱1,729.2 million NPC's timely payment of August billings reduced by ₱275.6 million higher royalty fee payments and ₱198.0 million advance payment for the purchase of a rig.

Net cash used in investing activities was up by 168.2% or ₱356.4 million to ₱144.5 million in 2009 from ₱395.7 million net cash provided by investing activities in 2008 primarily due to the ₱459.8 million increase in capital expenditures mainly for the on-going Pantabangan refurbishment and upgrade project and acquisition of drilling equipment.

Net cash flow from financing activities increased by 150.3% or ₱9,928.4 million to ₱3,323.8 million in 2009 from ₱6,604.5 million cash used in financing activities in 2008 mainly from the proceeds of ₱9,000.0 million fixed rate corporate notes, ₱4,100 million IFC loan and

₱2,433.6 million lower cash dividends in 2009 offset by the ₱6,270.4 million settlement of the Miyazawa I loan.

DISCUSSION ON THE SUBSIDIARY

FG Hydro

September 2009 vs. September 2008 Results

(in PHP thousands)	As of and for the periods ended September 30	
	2009 (Unaudited)	2008 (Unaudited)
Operating revenues	1,004,450	1,174,534
Operating income	582,743	718,634
Net income	290,210	147,237
Total current assets	484,514	565,563
Total noncurrent assets	7,174,285	6,477,098
Total current liabilities	1,443,446	599,951
Other liabilities	2,214,809	2,678,273
Total equity	4,000,543	3,764,437

FG Hydro generated revenues of ₱1,004.5 million for the nine-month period ended September 30, 2009, 14.5% lower than revenues of ₱1,174.5 million for the same period in 2008. The unfavorable variance was mainly on account of the combined effects of lower dispatch due to lower irrigation requirements and the rehabilitation of PAHEP's Unit 1, and lower spot prices in the WESM driven by the lower demand levels during the later part of the second quarter. The appreciation of the Peso resulted to much lower unrealized foreign exchange losses of ₱3.8 million for the nine-month period ended September 30, 2009, compared with losses of ₱362.2 million for the same period in 2008, fully offsetting the unfavorable variance in revenues. Overall, FG Hydro posted a net income of ₱290.2 million for the nine-month period ended September 30, 2009, almost twice the ₱147.2 million reported income for the same period in 2008.

Total assets for the same period stood at ₱7,658.8 million, 8.7% higher than the 2008 level of ₱7,042.7 million. The favorable variance was mainly due to higher capital expenditures resulting from the on-going Pantabangan refurbishment and upgrade project, though partly offset by depreciation and amortization charges and lower cash balances during the period.

As of September 30, 2009, total liabilities stood at ₱3,658.3 million, 11.6% higher than the 2008 level of ₱3,278.2 million. The increase in liabilities was mainly due to the ₱422.4 million increase in advances from affiliates and the ₱368.5 million accrual of milestone payments for the rehabilitation project. However, these unfavorable variances were partly offset by the continuous pay down of the PSALM liability.

Total equity as of September 30, 2009 of ₱4,000.5 million is 6.3% higher compared to September 2008 level of ₱3,764.4 million.

FG Hydro (Pantabangan-Masiway)	2009	2008
Current ratio	0.34:1	0.94:1
Return on assets	3.79%	2.09%
Long-term debt plus noncurrent liabilities / Equity ratio (times)	0.67	0.82
Debt ratio	47.77%	46.55%
Debt-to-equity ratio (times)	0.91	0.87

Commitments that will have an impact on the issuer's liquidity

As of September 30, 2009, the company has unserved purchase orders and awarded contracts for the purchase of various capital goods in the total amount of ₱840.0 million.

Other than these, we are not aware of any other material commitments that should impact the Company's liquidity.

Legal proceedings

There are no other material changes in the contingent liabilities since the last annual balance sheet date.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

The Company has ₱24,553.3 million in long-term US dollar and Yen denominated loans as of September 30, 2009, of which 76.4% is yen-denominated and 23.6% is US dollar-denominated.

OTHER MATTERS

CASH/STOCK DIVIDEND

Cash Dividend

On March 30, 2009, the BOD of the Parent Company approved the following cash dividends in favor of all stockholders of record as of April 16, 2009 and payable on May 11, 2009:

- cash dividend of ₱0.0008 per share on the preferred shares
- regular cash dividend of ₱0.125 per share on the common shares.

Stock Dividend

With the approval of the Securities and Exchange Commission on October 12, 2009 of Parent Company's increase in authorized capitalization from P15,075 million to P30,150 million divided into 30 billion common shares with a par value of P1.00 and 15 billion preferred shares with a par value of P0.01 by way of a common stock dividend totaling 3,750 million common shares with any fractional shares being subscribed by the EDC Retirement Fund and/or Trust for EDC executive/employee stock ownership plan and the subscription by the current preferred stockholders to 25% of the increase in the preferred shares, the common stock dividends to be issued from the increase will be distributed to stockholders of record as of October 27, 2009 and payable on November 23, 2009.

There are no other declarations thereafter.

MAJOR STOCKHOLDERS

As of September 30, 2009, the total number of stockholders was 653 and the stock price was ₱4.70.

List of Top 20 Stockholders as of September 30, 2009

Rank	Name	Nationality	Number of Shares			%
			Preferred	Common	Total	
1	Red Vulcan Holdings Corporation	Filipino	7,500,000,000	6,000,000,000	13,500,000,000	60.249%
2	PCD Nominee Corporation (Foreign)	Foreign		5,927,133,228	5,927,133,228	26.452%
3	PCD Nominee Corporation (Filipino)	Filipino		2,883,906,263	2,883,906,263	12.871%
4	Spathodea Campanulata, Inc.	Filipino		66,000,000	66,000,000	0.295%
5	The Insular Life Assurance Co, Ltd	Filipino		6,739,000	6,739,000	0.030%
6	Peter D. Garrucho, Jr.	Filipino		3,180,000	3,180,000	0.014%
7	Peter D. Garrucho, Jr.	Filipino		1,900,000	1,900,000	0.008%
8	Emmanuel Antonio P. Singson	Filipino		1,500,000	1,500,000	0.007%
9	Engracio A. Sanchez	Filipino		1,000,000	1,000,000	0.004%
10	Tan Ben Kuan	Chinese		700,000	700,000	0.003%
11	ALG Holdings Corporation	Filipino		700,000	700,000	0.003%
12	Hi-Light Corporation	Filipino		662,000	662,000	0.003%
13	Rosalind Camara	Filipino		531,000	531,000	0.002%
14	Croslo Holdings Corporation	Filipino		500,000	500,000	0.002%
15	Peter Mar &/or Annabelle C. Mar	Filipino		400,000	400,000	0.002%
16	Guillermo N. Tantuco or Clarita C. Tantuco	Filipino		352,000	352,000	0.002%
17	Carlos Go &/or Lenny Go	Filipino		300,000	300,000	0.001%
18	Nelia G. Gabarda	Filipino		300,000	300,000	0.001%
19	Hans T. Sy	Filipino		300,000	300,000	0.001%
20	Francis Giles B. Puno &/or Ma. Patricia Puno	Filipino		294,000	294,000	0.001%

BOARD OF DIRECTORS

As of September 30, 2009, the members of Board of Directors of EDC are as follows:

Oscar M. Lopez	Chairman
Paul A. Aquino	Vice-Chairman and Chief Executive Officer
Richard B. Tantoco	President and Chief Operating Officer
Peter D. Garrucho, Jr.	Director
Federico R. Lopez	Director
Ernesto B. Pantangco	Director and Executive Vice President
Francis Giles B. Puno	Director
Jonathan C. Russell	Director
Elpidio L. Ibanez*	Director
Francis G. Estrada	Independent Director
Vicente S. Perez, Jr.	Independent Director
Cesar V. Purisima**	Independent Director

*Resigned effective July 21, 2009

**Elected as Independent Director effective July 21, 2009

KEY OFFICERS

As of September 30, 2009, the key officers of EDC are as follows:

Name	Position
Paul A. Aquino	Vice Chairman and Chief Executive Officer
Richard B. Tantoco	President and Chief Operating Officer
Ernesto B. Pantangco	Executive Vice President
Jonathan C. Russell	Head for Business Development
Agnes C. de Jesus	Senior Vice President and Vice President for Environmental and External Affairs
Regina Pia B. Go*	Senior Vice President and Chief Financial Adviser
Anthony M. Mabasa	Senior Vice President
Danilo C. Catigtig	Vice President for Power Generation
Marcelino M. Tongco	Vice President for Operations
Manuel S. Ogena	Vice President for Technical Services
Fenina O.T. Rodriguez**	Vice President and Chief Financial Officer/Treasurer
Glenn I. Funk	Vice President for Supply Chain Management
Francisco A. Palafox	Compliance Officer
Erudito S. Recio	Investor Relations Manager & Corporate Information Officer
Michael R. Rodriguez	Senior Manager, Internal Audit
Roberto V. San Jose	Corporate Secretary
Ana Maria A. Katigbak-Lim	Assistant Corporate Secretary

*Appointed as CFO/Treasurer effective October 16, 2009

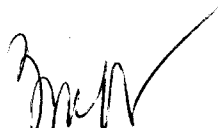
**Retired effective October 16, 2009

SIGNATURES

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

Registrant

ENERGY DEVELOPMENT (EDC) CORPORATION



REGINA PIA B. GO
Chief Financial Officer/Treasurer

October 26, 2009
Date Signed



AGNES C. DE JESUS
Senior Vice President

October 26, 2009
Date Signed

Energy Development (EDC) Corporation
and Subsidiaries

A Subsidiary of Red Vulcan Holdings Corporation

Unaudited Interim Condensed
Consolidated Financial Statements
September 30, 2009 and 2008
(With Comparative Figures as of December 31, 2008)

ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2009 AND 2008
(With Comparative Figures as of December 31, 2008)

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 5 and 34)	P11,815,559,588	P957,088,260	P4,047,509,523
Trade and other receivables (Notes 6 and 34)	3,453,082,327	5,412,135,610	6,115,583,485
Current portion of concession receivable (Note 34)	2,082,203,422	2,048,110,310	2,098,458,611
Available-for-sale (AFS) investments (Note 34)	750,806,879	674,494,128	690,094,113
Parts and supplies inventories - at cost	1,518,949,734	1,563,284,383	1,496,662,837
Due from related parties (Notes 24 and 34)	5,314,010	-	-
Derivative assets (Note 34)	-	614,081,623	15,502,310
Other current assets (Notes 24 and 34)	719,908,198	657,407,901	360,313,005
	20,345,824,158	11,926,602,215	14,824,123,884
Noncurrent assets held for sale (Note 7)	541,842,000	1,797,587,000	1,800,516,100
Total Current Assets	20,887,666,158	13,724,189,215	16,624,639,984
Noncurrent Assets			
Concession receivable - net of current portion (Note 34)	31,077,179,714	32,647,323,888	33,159,383,135
Property, plant and equipment - net (Note 8)	6,063,980,762	5,280,149,541	4,904,373,384
Goodwill and intangible assets - net (Notes 9)	12,121,122,880	11,882,881,883	11,772,396,939
Deferred tax assets - net (Notes 23 and 36)	1,121,396,467	3,410,392,338	2,989,707,475
Exploration and evaluation assets (Note 37)	1,028,788,629	999,757,259	942,159,084
Derivative assets (Note 34)	25,412,438	34,907,195	30,332,273
Other noncurrent assets - net (Notes 10 and 34)	833,255,392	1,365,986,414	1,591,407,810
Total Noncurrent Assets	52,271,136,282	55,621,398,518	55,389,760,100
TOTAL ASSETS	P73,158,802,440	P69,345,587,733	P72,014,400,084

LIABILITIES AND EQUITY

Current Liabilities			
Trade and other payables (Notes 24 and 34)	P2,930,539,869	P2,979,859,848	P3,358,484,203
Loan payable (Notes 34 and 38)	2,000,000,000	2,000,000,000	84,000,000
Income tax payable (Note 36)	8,443	84,807,510	171,395,230
Due to related parties (Notes 24 and 34)	170,911,278	110,920,747	4,129,911,024
Derivative liabilities (Note 34)	-	54,250,018	-
Obligations to a power plant contractor (Note 34)	-	112,187,446	170,628,173
Current portion of:			
Long-term debt (Notes 12, 34 and 38)	14,738,416,797	8,672,427,694	7,615,181,009
Royalty fee payable (Notes 11 and 34)	209,314,859	1,688,282,467	1,714,003,653
Total Current Liabilities	20,049,191,246	15,702,735,730	17,243,603,292

(Forward)

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 12, 34 and 38)	₱22,736,173,022	₱23,557,027,591	₱21,724,930,777
Royalty fee payable - net of current portion (Notes 11, and 34)	607,879,950	-	-
Deferred tax liability (Note 23)	11,889,778	11,294,373	13,446,991
Retirement and other post-retirement benefits	1,128,991,893	1,026,394,482	996,703,413
Other long-term liabilities	268,016,524	312,816,858	310,351,983
Total Noncurrent Liabilities	24,752,951,167	24,907,533,304	23,045,433,164
Total Liabilities	44,802,142,413	40,610,269,034	40,289,036,456
Equity Attributable to Equity Holders of the Parent (Note 14)			
Common stock	15,000,000,000	15,000,000,000	15,000,000,000
Preferred stock	75,000,000	75,000,000	75,000,000
Additional paid-in capital	6,278,075,648	6,278,075,648	6,278,075,648
Equity reserve	(3,706,430,769)	(3,706,430,769)	(3,706,430,769)
Cost of treasury stock held	(404,219,068)	(404,219,068)	(401,360,803)
Accumulated unrealized gain on AFS investments	113,890,681	30,826,354	62,098,783
Deposit for future preferred stock subscription	18,750,000	-	-
Retained earnings			
Appropriated	-	-	1,653,315,043
Unappropriated	9,381,376,252	9,977,933,235	9,610,863,521
	26,756,442,744	27,251,185,400	28,571,561,423
Minority Interest	1,600,217,283	1,484,133,299	3,153,802,205
Total Equity	28,356,660,027	28,735,318,699	31,725,363,628
TOTAL LIABILITIES AND EQUITY	₱73,158,802,440	₱69,345,587,733	₱72,014,400,084

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008

	Three-Month Periods Ended September 30		Nine-Month Periods Ended September 30	
	2009	2008	2009	2008
REVENUES				
Revenue from sale of electricity	₱3,393,215,696	₱2,932,125,469	₱10,232,475,326	₱9,135,009,632
Revenue from sale of steam	1,119,259,153	1,071,690,301	3,127,551,572	3,115,122,908
Interest income on service concession	479,287,145	514,549,340	1,490,446,446	1,593,291,884
Construction revenue (Note 9)	72,787,970	727,247,003	521,807,836	727,247,003
Revenue from drilling services	214,412,973	171,126,907	614,406,011	515,354,505
	5,278,962,937	5,416,739,020	15,986,687,191	15,086,025,932
OPERATING EXPENSES				
Operations and maintenance (Note 16)	(1,120,829,849)	(1,347,677,163)	(4,465,325,672)	(3,699,588,320)
General and administrative (Note 17)	(958,253,373)	(583,954,163)	(2,603,534,354)	(622,182,761)
Purchased services and utilities (Note 15)	(399,683,298)	(464,005,739)	(1,337,410,661)	(1,140,700,936)
Construction costs	(62,748,250)	(626,937,071)	(449,834,341)	(626,937,071)
Depreciation and amortization (Note 8)	(320,546,998)	(249,300,715)	(572,993,095)	(506,856,939)
	(2,862,061,768)	(3,271,874,851)	(9,429,098,123)	(6,596,266,027)
FINANCIAL INCOME (EXPENSES)				
Interest income - net of final tax (Note 19)	(64,146,579)	102,902,395	305,132,477	250,550,599
Interest expense	(857,434,408)	(370,525,422)	(2,063,641,356)	(1,636,774,397)
	(921,580,987)	(267,623,027)	(1,758,508,879)	(1,386,223,798)
OTHER INCOME (CHARGES)				
Foreign exchange gain (loss) (Note 18)	(949,406,222)	(1,591,161,737)	197,091,575	(5,533,898,528)
Revenue from arbitration award (Note 21)	-	-	-	2,067,343,343
Derivatives gain (loss) - net (Note 34)	681,177	(59,887,658)	(185,153,946)	(69,108,155)
Miscellaneous - net (Note 20)	62,140,642	(119,827,224)	(66,240,420)	223,995,551
	(886,584,403)	(1,770,876,619)	(54,302,791)	(3,311,667,789)
INCOME BEFORE INCOME TAX	608,735,779	106,364,523	4,744,777,398	3,791,868,318
PROVISION FOR INCOME TAX (Notes 23 and 36)				
Current	369,930,983	(210,924,922)	(1,066,284,121)	(1,550,882,031)
Deferred				
Effect of Renewable Energy Law	(2,959,179,200)	-	(2,959,179,200)	-
Others	684,562,086	152,257,308	669,587,924	412,175,596
	(2,273,587,094)	(57,667,614)	(2,342,975,397)	(1,138,706,435)
NET INCOME	(₱1,295,950,352)	₱47,696,909	₱1,388,902,001	₱2,653,161,883
Attributable to				
Equity holders of the parent	(₱1,321,704,998)	₱105,084,758	₱1,272,818,017	₱2,594,267,160
Minority interest	25,754,646	(57,387,849)	116,083,984	58,894,723
	(₱1,295,950,352)	₱47,696,909	₱1,388,902,001	₱2,653,161,883
Basic/Diluted Earnings Per Share Attributable to				
Equity Holders of the Parent (Note 22)	(₱0.089)	₱0.007	₱0.085	₱0.173

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008

	Three-Month Periods Ended September 30		Nine-Month Periods Ended September 30	
	2009	2008	2009	2008
NET INCOME FOR THE PERIOD	(P1,295,950,352)	P47,696,909	P1,388,902,001	P2,653,161,883
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gain (loss) on AFS investments	27,346,174	3,493,710	83,064,327	(306,450,470)
Adjustment of related deferred tax liability of properties stated at appraised values and designated at deemed cost	-		-	(449,433,873)
	27,346,174	3,493,710	83,064,327	(755,884,343)
TOTAL COMPREHENSIVE INCOME	(P1,268,604,178)	P51,190,619	P1,471,966,328	P1,897,277,540
Attributable to				
Equity holders of the parent	(P1,294,358,824)	P108,578,468	P1,355,882,344	P1,838,382,817
Minority interest	25,754,646	(57,387,849)	116,083,984	58,894,723
	(P1,268,604,178)	P51,190,619	P1,471,966,328	P1,897,277,540

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock		Additional Paid-in Capital	Deposit for future preferred stock subscription	Equity Reserve	Accumulated Unrealized Gain on AFS Investments	Retained Earnings		Treasury Stock - Common	Total	Minority Interest	Total Equity
	Common	Preferred					Appropriated	Unappropriated				
Balances, December 31, 2008	P15,000,000,000	P75,000,000	P6,278,075,648	P-	(P3,706,430,769)	P30,826,354	P-	P9,977,933,235	(P404,219,068)	P27,251,185,400	P1,484,133,299	P28,735,318,699
Net income	-	-	-	-	-	-	-	1,272,818,017	-	1,272,818,017	116,083,984	1,388,902,001
Other comprehensive income	-	-	-	-	-	83,064,327	-	-	-	83,064,327	-	83,064,327
Total comprehensive income	-	-	-	-	-	83,064,327	-	1,272,818,017	-	1,355,882,344	116,083,984	1,471,966,328
Deposit for future preferred stock subscription (Note 29)	-	-	-	18,750,000	-	-	-	-	-	18,750,000	-	18,750,000
Cash dividends (Note 29)	-	-	-	-	-	-	-	(1,869,375,000)	-	(1,869,375,000)	-	(1,869,375,000)
Balances, September 30, 2009	P15,000,000,000	P75,000,000	P6,278,075,648	P18,750,000	(P3,706,430,769)	P113,890,681	P-	P9,381,376,252	(P404,219,068)	P26,756,442,744	P1,600,217,283	P28,356,660,027
Balances, December 31, 2007	P15,000,000,000	P75,000,000	P6,278,075,648	P-	(P3,706,430,769)	P368,549,253	P1,653,315,043	P11,519,030,231	P-	P31,187,539,406	P3,344,907,482	P34,532,446,888
Net income	-	-	-	-	-	-	-	2,594,267,160	-	2,594,267,160	58,894,723	2,653,161,883
Other comprehensive loss	-	-	-	-	-	(306,450,470)	-	(449,433,873)	-	(755,884,343)	-	(755,884,343)
Total comprehensive income	-	-	-	-	-	(306,450,470)	-	2,144,833,287	-	1,838,382,817	58,894,723	1,897,277,540
Redemption of common shares	-	-	-	-	-	-	-	-	(401,360,803)	(401,360,803)	-	(401,360,803)
Cash dividends (Note 29)	-	-	-	-	-	-	-	(4,052,999,997)	-	(4,052,999,997)	-	(4,052,999,997)
Cash dividends to minority interest	-	-	-	-	-	-	-	-	-	-	(250,000,000)	(250,000,000)
Balances, September 30, 2008	P15,000,000,000	P75,000,000	P6,278,075,648	P-	(P3,706,430,769)	P62,098,783	P1,653,315,043	P9,610,863,521	(P401,360,803)	P28,571,561,423	P3,153,802,205	P31,725,363,628

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱4,744,777,398	₱3,791,868,318
Adjustments for:		
Interest expense	2,063,641,356	1,636,774,397
Interest income on service concession	(1,490,446,446)	(1,593,291,884)
Depreciation and amortization (Note 8)	572,993,095	506,856,939
Write-off of input Value Added Tax (VAT) claimed (Note 20)	178,639,119	–
“Day 1” gain on deferred royalties (Note 20)	(168,284,986)	–
Unrealized foreign exchange losses	164,707,056	6,166,211,119
Interest income (Note 19)	(305,132,477)	(250,550,599)
Write-down of inventories for disposal (Note 17)	119,753,786	–
Provision for retirement and other benefits	102,597,410	100,326,416
Provision for doubtful accounts	96,773,207	8,009,007
Write-down of exploration and evaluation assets (Note 20)	77,622,605	–
Inventories from power plant contractor (Note 20)	(53,992,600)	(260,614,700)
Loss on sale of noncurrent asset held for sale	4,000,000	–
Losses from unused tax credit certificate and others	12,207,982	–
Derivatives loss - net	9,505,321	69,108,156
Impairment loss on noncurrent AFS investments	3,328,661	–
Loss on retirement of property and equipment (Note 8)	58,190	110,231
Reduction in allowance for doubtful accounts	–	(1,116,185,993)
“Day 1” loss on NPC receivable (Note 20)	–	189,790,628
Gain on sale of AFS investments (Note 20)	–	(46,323,392)
Operating income before working capital changes	6,132,748,677	9,202,088,643
Decrease (increase) in:		
Trade and other receivables	2,429,454,535	(989,578,892)
Concession receivable	3,026,497,509	3,230,870,663
Parts and supplies inventories	(21,426,538)	(95,262,769)
Other current assets	(290,664,316)	(313,082,007)
Increase (decrease) in:		
Trade and other payables	239,892,970	(765,780,908)
Due to related parties	(47,148,848)	11,463,530
Royalty fee payable	(766,635,601)	(484,697,707)
Cash generated from operations	10,702,718,388	9,796,020,553
Retirement and other long-term liabilities	(44,800,333)	(35,509,424)
Income taxes paid	(1,137,780,534)	(1,300,402,229)
Interest and financing charges paid	(1,837,274,800)	(1,331,106,555)
Net cash flows from operating activities	7,682,862,721	7,129,002,345
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of noncurrent assets held for sale	1,127,745,000	–
Acquisition of property and equipment (Note 8)	(1,075,793,055)	(615,951,404)
Addition to intangible assets (Note 9)	(521,807,837)	(727,247,004)
Proceeds from sale of property and equipment	–	245,660
Decrease (increase) in:		
Other noncurrent assets	352,948,016	844,767,840
Amounts due from related parties	(162,434,189)	–
Exploration and evaluation assets	(107,699,453)	229,763,091
AFS investments	–	302,504,782
Interest received	242,555,326	177,816,853
Net cash flows from (used in) investing activities	(144,486,192)	211,899,818

(Forward)

	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of long-term debt	₱13,100,000,000	₱84,000,000
Increase in amounts due to related parties	274,641,788	-
Deposit for future preferred stock subscription	18,750,000	-
Payments of:		
Long-term debts	(8,086,691,148)	(1,785,340,828)
Cash dividends	(1,869,375,000)	(4,302,999,997)
Obligations to a power plant contractor	(113,490,959)	(193,508,405)
Amounts due to related parties	-	(5,338,622)
Purchase of treasury stock	-	(401,360,803)
Net cash flows from (used in) financing activities	3,323,834,681	(6,604,548,655)
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,862,211,210	736,353,508
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(3,739,882)	14,579,065
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	957,088,260	3,296,576,950
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱11,815,559,588	₱4,047,509,523

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES
A Subsidiary of Red Vulcan Holdings Corporation

**SELECTED NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

1. Corporate Information

Energy Development (EDC) Corporation (the “Parent Company” or “EDC”) and the following subsidiaries (collectively hereinafter referred to as the “Company”) are separately incorporated and registered with the Philippine Securities and Exchange Commission (SEC):

	Percentage of Ownership	
	2009	2008
First Luzon Geothermal Energy Corporation (FL Geothermal)	100%	100%
First Gen Hydro Power Corporation (FG Hydro)	60%	60%
EDC Drillco Corporation	100%	–
Green Core Geothermal Inc. ^(a)	100%	–

^(a) A wholly owned subsidiary through FL Geothermal

Beginning December 13, 2006, the common shares of EDC are listed and traded on the Philippine Stock Exchange (PSE). Up to November 2007, EDC was owned and controlled by the Philippine National Oil Company (PNOC), a government-owned and controlled corporation and the PNOC EDC Retirement Fund.

On November 29, 2007, PNOC and PNOC EDC Retirement Fund sold their combined interests in EDC to First Gen Corporation (First Gen), a domestic corporation owned and controlled by First Philippine Holdings Corporation (First Holdings, a publicly-listed entity), also a Filipino corporation. First Gen’s interest in EDC, through its wholly owned subsidiary Red Vulcan Holdings Corporation (Red Vulcan), consists of 6.0 billion common shares and 7.5 billion preferred shares. Control is established through First Gen’s 60% voting interest in EDC. Meanwhile, First Holdings owns directly 66.2% of the common shares of First Gen. Accordingly, First Holdings, became the ultimate parent of the Company.

In May 2009, First Gen’s voting interest in Red Vulcan was reduced to 45% with the balance taken up by Lopez Inc. Retirement Fund (40%) and Quialex Realty Corporation (15%) through the issuance of preferred shares by Prime Terracota Holdings Corporation (Prime Terracota), which has 100% ownership interest in Red Vulcan. As a result of this transaction, Prime Terracota replaced First Holdings to become the ultimate parent of EDC effective on May 12, 2009.

The Parent Company operates twelve geothermal projects in five geothermal service contract areas, namely Leyte Geothermal Production Field (LGPF), Southern Negros Geothermal Production Field, BacMan Geothermal Production Field, Mindanao Geothermal Production Field and Northern Negros Geothermal Production Field under the Geothermal Service Contracts (GSCs) entered into with the Department of Energy (DOE) pursuant to the provisions of Presidential Decree (P.D.) 1442. Geothermal steam produced is sold to the National Power Corporation (NPC) or are fed to the Parent Company’s Build-Operate-Transfer (BOT) contractors’ power plants to produce electricity. EDC sells steam and power to NPC under the Steam Sales

Agreements (SSAs) and Power Purchase Agreements (PPAs), respectively. EDC also sells electricity to Iloilo 1 Electric Cooperative (ILECO) under the Electricity Sales Agreement. Separately, it also has drilling activities in Papua New Guinea.

On October 20 and November 17, 2008, in line with its objective of focusing on renewable energy, the Parent Company acquired a total of 60% interest in FG Hydro from First Gen. FG Hydro operates the 112 Megawatt (MW) Pantabangan and Masiway Hydro-Electric Power Plants (PAHEP/MAHEP) located in Nueva Ecija, Philippines. FG Hydro sells electricity to Wholesale Electricity Spot Market (WESM) and to various distribution utilities under the Transition Power Supply Contracts (TPSCs).

FL Geothermal is a special purpose company incorporated on April 9, 2008 to participate in the bid for another local power plant. The bid was won by and awarded to another local entity. Thereafter, there has been no business activity yet as far as FL Geothermal is concerned other than investment holding of a subsidiary.

FL Geothermal owns 100% of Green Core Geothermal Inc. (Green Core), a special purpose company incorporated on June 8, 2009 to participate in the bid for another local power plant.

EDC Drillco Corporation is a company incorporated on September 28, 2009 to act as an independent service contractor, consultant, specialized technical adviser for well construction and drilling and other allied activities.

The registered office address of the Parent Company is Merritt Road, Fort Bonifacio, Taguig City.

The unaudited interim condensed consolidated financial statements were reviewed and recommended for approval by the Audit and Governance Committee to the Board of Directors (BOD) on October 14, 2009. The same unaudited interim condensed consolidated financial statements were also approved and authorized for issuance by the BOD on October 14, 2009.

2. Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, "Interim Financial Reporting." Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2008.

The unaudited interim condensed consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The unaudited interim condensed consolidated financial statements, which have been prepared under the historical cost basis except for fair valuation of financial instruments (financial assets, financial liabilities and equity instruments), are presented in Philippine peso, which is the currency of the primary economic environment in which the Company operates.

3. Significant Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements as of and for the year ended December 31, 2008, except for the adoption of the following new and amended PFRS, Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) and improvements to PFRS, which became effective beginning January 1, 2009.

- *Amendments to PFRS 7, Financial Instruments: Disclosures*
This amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures are presented in Note 34 to the unaudited interim condensed consolidated financial statements.
- *PFRS 8, Operating Segments*
This standard requires disclosure of information about the Company's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company. Adoption of this standard did not have any effect on the financial position or performance of the Company. The Company determined that the operating segments were the same as the business segments previously identified under PAS 14, "Segment Reporting," with additional disclosures about each of these segments shown in Note 4 to the unaudited interim condensed consolidated financial statements, including revised comparative information.
- *Amendments to PAS 1, Presentation of Financial Statements*
This amended standard separates owner and non-owner changes in equity. The consolidated statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the consolidated statement of comprehensive income. It presents all items of recognized income and expenses, either in one consolidated single statement (a consolidated statement of comprehensive income), or in two linked consolidated statements (a separate consolidated statement of income and a consolidated statement of comprehensive income). The Company has elected to present two statements in its unaudited interim condensed consolidated financial statements.

Adoption of the following changes in PFRS did not have impact on the Company's unaudited interim condensed consolidated financial statements.

- *PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- *PFRS 2, Share-based Payment - Vesting Condition and Cancellations*
- *PAS 23, Borrowing Costs (Revised)*
- *Amendments to PAS 27, Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- *Amendment to PAS 32, Financial Instruments: Presentation, and PAS 1, Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*,
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*

Improvements to PFRSs. In May 2008, the International Accounting Standards Board (IASB) issued its first omnibus of amendments to certain standards, primarily with a view of removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, where applicable, but did not have any impact on the financial position or performance of the Company.

- PAS 1, *Presentation of Financial Statements*
- PAS 16, *Property, Plant and Equipment*
- PAS 19, *Employee Benefits*
- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*
- PAS 23, *Borrowing Costs*
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 28, *Investment in Associates*
- PAS 29, *Financial Reporting in Hyperinflationary Economies*
- PAS 31, *Interest in Joint Ventures*
- PAS 36, *Impairment of Assets*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- PAS 40, *Investment Properties*
- PAS 41, *Agriculture*
- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*

Updates on New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective Subsequent to December 31, 2009

The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Improvements to PFRSs. The Financial Reporting Standards Council approved in its meeting in May 2009 the adoption of *Improvements to IFRSs* issued by IASB in April 2009 effective in 2010.

- PFRS 2, *Share-based Payment*
The amendment clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3.
- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
The amendment clarifies that the disclosures required in respect of non-current assets or disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations.

It also clarifies that the general requirements of PAS 1 still apply, particularly paragraphs 15 (to achieve fair presentation) and 125 (sources of estimation and uncertainty) of PAS 1.

- PFRS 8, *Operating Segments*

The amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the Chief Operating Decision Maker (CODM).

- *PAS 1, Presentation of Financial Statements*
The terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- *PAS 7, Statement of Cash Flows*
The amendment explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.
- *PAS 17, Leases*
The amendment removes the specific guidance on classifying land as lease so that only the general guidance remains.
- *PAS 18, Revenue*
The IASB has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as agent. The features indicating an entity is acting as a principal are whether the entity: (a) has primary responsibility for providing the goods or services; (b) has inventory risk; (c) has discretion in establishing prices; and (d) bears the credit risk.
- *PAS 36, Impairment of Assets*
The amendment clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.
- *PAS 38, Intangible Assets*
The amendment clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives.

It also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- *PAS 39, Financial instruments: Recognition and Measurement*
The amendment clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.

The amendment also clarifies that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.

It also clarifies that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- *IFRIC 9, Reassessment of Embedded Derivatives*
The improvement clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.
- *IFRIC 16, Hedges of a Net Investment in a Foreign Operation*
The improvement states that in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

Updates on Significant Accounting Policies. On July 15, 2009, the SEC issued SEC Memorandum Circular 8, Series of 2009 which covers scales of fines for non-compliance with the financial reporting requirements of the SEC. The circular memorandum provides guidance on what it considered material deficiency. Accordingly, the Company updates its significant accounting policies in compliance with the circular memorandum. The following significant accounting policies in addition to those disclosed on the Company's annual consolidated financial statements were consistently applied by the Company in its annual consolidated financial statements and unaudited interim condensed consolidated financial statements.

Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises of prepaid rentals and insurance premiums, creditable withholding tax and advance payment to contractors. The prepaid rentals and insurance premiums are apportioned over the period covered by the payment and charged to the appropriate accounts in the statement of income when incurred; creditable withholding tax are deducted from income tax payable on the same year the revenue was recognized; and the advance payment to contractors are reclassified to the proper asset or expense account and deducted from the contractor's billings as specified on the provision of the contract.

Capital Stock

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued for outstanding liabilities of the Company, the shares shall be measured at the amount of liabilities setoff.

Direct costs incurred to sell stock, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to the “Additional paid-in capital” account. If additional paid-in capital is not sufficient, the excess is charged against the profit or loss for the period.

Equity Reserve

Equity reserve was recognized as the difference between the amount paid by EDC against its share in the paid-in Capital of FG Hydro. This accounted resulted from the acquisition of FG Hydro in 2008 accounted for under the pooling-of-interests method. In accordance with the pooling-of-interests method, the prior year consolidated financial statements of EDC were restated to reflect the acquisition as if it occurred on November 29, 2007, the date when First Gen acquired and controlled EDC.

Purchased Services and Utilities Expenses and Operations and Maintenance Expenses

These include expenses incurred by the departments directly responsible for the generation of revenues from steam, electricity and drilling services (i.e. Plant Operations, Production, Maintenance, Transmission and Dispatch, Wells Drilling and Maintenance Department) at operating project locations. Purchased services and utilities and operations and maintenance expenses are expensed as incurred.

General and Administrative Expenses

General and administrative expenses constitute costs of administering the business and normally includes the expenses incurred by the departments in Head Office (i.e. Management and Services, and Project Location’s Administrative Services Department). General and administrative expenses are expensed as incurred.

Construction Cost

In conjunction with the policy on Service Concession Arrangements, the Company accounts and measures construction costs in accordance with PAS 11, “Construction Contracts”, and IFRIC 12, “Service Concession Arrangements”. This includes costs that relate directly to the construction of the infrastructure project that the Company incurs for the purpose of the service concession arrangement with the government. These costs include costs that are related directly to the specific contract such as well drilling costs and costs incurred by departments directly responsible for the infrastructure project and costs that are attributable to the contract activity in general and can be allocated to the contract. This also includes accumulated exploration and evaluation costs incurred by the project once the technical, commercial and economic viability of the project are established.

4. Segment Revenue and Segment Results for Operating Segments

The Company’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. Hence, geographical business information is not applicable.

The Company’s identified operating segments which are consistent with the segments reported to the BOD, the CODM of the Company, are as follows:

- a. Electricity segment – These are revenues generated by EDC’s power plants covered by long-term PPA with NPC and First Gen Hydro’s spot sales to the WESM and with various distribution utilities covered by TPSCs.
- b. Steam segment - These are revenues from sale of steam to NPC plants covered by SSA.
- c. All other segments – These are revenues generated from drilling services to Lihir Gold Ltd. and construction revenue recognized in compliance with IFRIC 12. This is in compliance with the provision of paragraph 16 of PFRS 8 which provides that “*Information about other business activities and operating segments that are not reportable shall be combined and disclosed in an ‘all other segments’ category separately from other reconciling items in the reconciliations required by paragraph 28. The sources of the revenue included in the ‘all other segments’ category shall be described*”. The combined revenue, assets and liabilities for all other segments are slightly below the 10% threshold.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and other sales taxes or duty.

All segment revenues are from external parties, with NPC as the main customer for the electricity segment which comprised 90% of the total electricity revenue and the only customer for the steam segment.

Unallocated expenses pertain to expenses of the corporate, technical and administrative support groups while unallocated corporate assets and liabilities pertain to the Head Office and are managed on a group basis.

All of the Company’s operations are in the Philippines and revenues generated are from domestic operations except for drilling operations revenues, included in “All Other Segments” category which are from foreign services rendered to Lihir Gold Ltd.

Management monitors the operating results of the business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Finance costs, finance income, income taxes and other charges and income are managed on a group basis.

Financial information on the operating segments are summarized as follows:

	Electricity	Steam	All Other Segments	Total
Period Ended				
September 30, 2009				
Segment revenue*	₱11,558,222,353	₱3,292,250,991	₱1,136,213,847	₱15,986,687,191
Segment expenses	(6,051,995,203)	(2,323,499,199)	(1,043,385,365)	(9,418,879,767)
Unallocated segment expenses	–	–	–	(10,218,356)
Segment results	5,506,227,150	968,751,792	92,828,482	6,557,589,068
Unallocated interest income	–	–	–	305,132,477
Unallocated interest expense	–	–	–	(2,063,641,356)
Unallocated other charges	–	–	–	(54,302,791)
Unallocated income taxes	–	–	–	(3,355,875,397)
Net income	₱5,506,227,150	₱968,751,792	₱92,828,482	₱1,388,902,001

	Electricity	Steam	All Other Segments	Total
Period Ended				
September 30, 2008				
Segment revenue*	₱10,527,913,601	₱3,315,510,823	₱1,242,601,508	₱15,086,025,932
Segment expenses	(3,635,397,675)	(1,887,597,727)	(1,067,433,786)	(6,590,429,188)
Unallocated segment expenses	-	-	-	(5,836,839)
Segment results	6,892,515,926	1,427,913,096	175,167,722	8,489,759,905
Unallocated interest income	-	-	-	250,550,599
Unallocated interest expense	-	-	-	(1,636,774,397)
Unallocated other charges	-	-	-	(3,311,667,789)
Unallocated income taxes	-	-	-	(1,138,706,435)
Net income	₱6,892,515,926	₱1,427,913,096	₱175,167,722	₱2,653,161,883

*Interest income on service concession was allocated to the electricity and steam segments using the equivalent steam and electricity base price as basis since this pertains to income from the receivables arising from geothermal service contracts.

	Electricity	Steam	All Other Segments	Total
As of September 30, 2009				
Segment assets	₱59,133,058,415	₱561,917,591	₱1,196,596,869	₱60,891,572,875
Unallocated corporate assets	-	-	-	12,267,229,565
Total assets	₱59,133,058,415	₱561,917,591	₱1,196,596,869	₱73,158,802,440
Segment liabilities	(₱19,573,260,669)	(₱8,827,852,963)	(₱157,930,910)	(₱28,559,044,542)
Unallocated corporate liabilities	-	-	-	(16,243,097,871)
Total liabilities	(₱19,573,260,669)	(₱8,827,852,963)	(₱157,930,910)	(₱44,802,142,413)
As of December 31, 2008				
Segment assets	₱61,382,187,953	₱2,069,496,194	₱1,339,116,841	₱ 64,790,800,988
Unallocated corporate assets	-	-	-	4,554,786,745
Total assets	₱61,382,187,953	₱2,069,496,194	₱1,339,116,841	₱ 69,345,587,733
Segment liabilities	(₱25,273,809,991)	(₱12,870,231,610)	(₱254,472,633)	(₱38,398,514,234)
Unallocated corporate liabilities	-	-	-	(2,211,754,800)
Total liabilities	(₱25,273,809,991)	(₱12,870,231,610)	(₱254,472,633)	(₱40,610,269,034)
As of September 30, 2008				
Segment assets	₱61,643,311,437	₱1,796,842,246	₱949,685,159	₱64,389,838,842
Unallocated corporate assets	-	-	-	7,624,561,242
Total assets	₱61,643,311,437	₱1,796,842,246	₱949,685,159	₱72,014,400,084
Segment liabilities	(₱20,612,987,154)	(₱11,133,977,615)	(₱146,009,341)	(₱31,892,974,110)
Unallocated corporate liabilities	-	-	-	(8,396,062,346)
Total liabilities	(₱20,612,987,154)	(₱11,133,977,615)	(₱146,009,341)	(₱40,289,036,456)

5. Cash and Cash Equivalents

This account consists of the following:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Cash on hand and in banks	₱1,806,817,958	₱27,875,003	₱65,395,033
Cash equivalents	10,008,741,630	929,213,257	3,982,114,490
	₱11,815,559,588	₱957,088,260	₱ 4,047,509,523

6. Trade and Other Receivables

This account consists of the following:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Trade	₱3,278,443,277	₱4,774,822,706	₱5,423,555,023
Others	187,324,418	649,092,967	695,528,469
Total	3,465,767,695	5,423,915,673	6,119,083,492
Less allowance for doubtful accounts	12,685,368	11,780,063	3,500,007
	₱3,453,082,327	₱5,412,135,610	₱6,115,583,485

7. Noncurrent Assets Held for Sale

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Land	₱541,842,000	₱1,669,587,000	₱ 1,672,516,100
Buildings, improvements and equipment	-	128,000,000	128,000,000
	₱541,842,000	₱1,797,587,000	₱1,800,516,100

This account pertains to the 29,291 square meters of land together with buildings, improvements and equipment owned by Company in Fort Bonifacio. On November 13, 2007, the Company, through its Board Resolution No. 115 series of 2007, agreed to sell its 29,291 square meter land, buildings together with the improvements and immovable equipment owned by the Company in Fort Bonifacio.

The 19,785 square meters of land and buildings together with the improvements and immovable equipment were sold in 2009 through a deed of absolute sale dated May 29, 2009.

Management expects that the remaining 9,506 square meters portion of the land will be sold in 2009.

8. Property, Plant and Equipment

September 30, 2009

	Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Laboratory Equipment	Land	Major Spares and Others	Construction in-Progress	Total
Cost:									
Balance at January 1, 2009	₱3,856,663,035	₱1,198,403,584	₱72,844,529	₱208,031,987	₱58,900,151	₱332,797,023	₱21,088,394	₱1,073,721,431	₱6,822,450,134
Additions	10,199,183	460,318,953	1,805,239	11,697,287	8,974,935	268,683	44,371,414	538,157,361	1,075,793,055
Retirements	–	(1,409,209)	(3,927,300)	(3,481,552)	–	–	20,271	–	(8,797,790)
Balance at September 30, 2009	3,866,862,218	1,657,313,328	70,722,468	216,247,722	67,875,086	333,065,706	65,480,079	1,611,878,792	7,889,445,399
Accumulated depreciation:									
Balance at January 1, 2009	444,527,765	856,086,805	51,248,444	145,019,664	45,417,915	–	–	–	1,542,300,593
Depreciation	146,380,975	120,349,297	5,697,506	14,704,246	3,666,383	–	–	–	290,798,407
Retirements	–	(1,404,705)	(3,927,292)	(3,407,603)	–	–	–	–	(8,739,600)
Reclassifications	–	–	1,105,237	–	–	–	–	–	1,105,237
Balance at September 30, 2009	590,908,740	975,031,397	54,123,895	156,316,307	49,084,298	–	–	–	1,825,464,637
Net book value	₱3,275,953,478	₱682,281,931	₱16,598,573	₱59,931,415	₱18,790,788	₱333,065,706	₱65,480,079	₱1,611,878,792	₱6,063,980,762

December 31, 2008

	Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Laboratory Equipment	Land	Major Spares and Others	Construction in-Progress	Total
Cost:									
Balance at January 1, 2008	4,117,504,205	1,169,970,107	64,198,354	176,389,465	49,244,740	328,306,933	27,737,419	201,851,481	6,135,202,704
Additions	16,437,730	24,236,030	9,703,464	23,262,317	6,613,656	1,705,540	15,789,575	974,772,407	1,072,520,719
Retirements/Write-off	(792,412)	(1,183,153)	(87,290)	(8,602,616)	(1,171,802)	(144,550)	(33,571)	–	(12,015,394)
Reclassifications	(276,486,488)	5,380,600	(969,999)	16,982,821	4,213,557	2,929,100	(22,405,029)	(102,902,457)	(373,257,895)
Balance at December 31, 2008	3,856,663,035	1,198,403,584	72,844,529	208,031,987	58,900,151	332,797,023	21,088,394	1,073,721,431	6,822,450,134
Accumulated depreciation:									
Balance at January 1, 2008	420,490,218	787,004,802	43,692,732	131,376,010	40,403,183	–	–	–	1,422,966,945
Depreciation	190,681,307	74,639,764	8,145,749	19,805,270	4,441,799	–	–	–	297,713,889
Retirements/Write-off	(611,841)	(1,136,659)	(87,289)	(8,470,136)	(1,171,779)	–	–	–	(11,477,704)
Reclassifications	(166,031,919)	(4,421,102)	(502,748)	2,308,520	1,744,712	–	–	–	(166,902,537)
Balance at December 31, 2008	444,527,765	856,086,805	51,248,444	145,019,664	45,417,915	–	–	–	1,542,300,593
Net book value	₱3,412,135,270	₱342,316,779	₱21,596,085	₱63,012,323	₱13,482,236	₱332,797,023	₱21,088,394	₱1,073,721,431	₱5,280,149,541

September 30, 2008

	Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Laboratory Equipment	Land	Major Spares and Others	Construction in-Progress	Total
Cost:									
Balance at January 1, 2008	₱4,117,504,205	₱1,169,970,107	₱64,198,354	₱176,389,465	₱49,244,740	₱328,306,933	₱27,737,419	₱201,851,481	₱6,135,202,704
Additions	13,581,678	12,612,618	9,703,464	18,513,476	6,327,341	1,472,127	5,705,574	548,035,126	615,951,404
Retirements	(23,499)	(1,183,153)	(87,290)	(8,419,837)	(1,171,802)	–	66,286	–	(10,819,295)
Sale	–	–	–	–	–	(144,550)	(101,110)	–	(245,660)
Reclassifications	(276,458,267)	6,162,284	(969,999)	17,557,197	3,914,739	–	(20,868,878)	(94,564,287)	(365,227,211)
Balance at September 30, 2008	3,854,604,117	1,187,561,856	72,844,529	204,040,301	58,315,018	329,634,510	12,539,291	655,322,320	6,374,861,942
Accumulated depreciation:									
Balance at January 1, 2008	420,490,218	787,004,802	43,692,732	131,376,010	40,403,183	–	–	–	1,422,966,945
Depreciation	147,691,988	51,372,459	6,046,772	14,719,924	3,234,470	–	–	–	223,065,613
Retirements	(38,996)	(1,121,161)	(87,289)	(8,289,838)	(1,171,779)	–	–	–	(10,709,063)
Reclassifications	(169,623,033)	1,118,247	(502,749)	2,427,886	1,744,712	–	–	–	(164,834,937)
Balance at September 30, 2008	398,520,177	838,374,347	49,149,466	140,233,982	44,210,586	–	–	–	1,470,488,558
Net book value	₱3,456,083,940	₱349,187,509	₱ 23,695,063	₱63,806,319	₱14,104,432	₱ 329,634,510	₱ 12,539,291	₱655,322,320	₱ 4,904,373,384

Details of depreciation and amortization charges are shown below:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Property, plant and equipment	₱289,426,255	₱297,713,889	₱223,290,099
Intangible assets (Note 9)	283,566,840	378,089,119	283,566,840
Depreciation and amortization	₱572,993,095	₱675,803,008	₱506,856,939
Operating expenses	₱262,374,295	₱278,986,219	₱201,759,662
General and administrative	27,051,960	18,727,670	21,530,437
Depreciation	₱289,426,255	₱297,713,889	₱223,290,099

9. Goodwill and Intangible Assets

September 30, 2009				
	Intangible Assets Arising from Service Concessions	Water Rights	Goodwill	Total
Cost:				
Balance at January 1, 2009	P9,835,385,122	P2,404,778,918	P293,316,082	P12,533,480,122
Additions	521,807,837	-	-	521,807,837
Balance at September 30, 2009	10,357,192,959	2,404,778,918	293,316,082	13,055,287,959
Accumulated amortization:				
Balance at January 1, 2009	446,192,031	204,406,208	-	650,598,239
Amortization	211,423,472	72,143,368	-	283,566,840
Balance at September 30, 2009	657,615,503	276,549,576	-	934,165,079
Net book value	P9,699,577,456	P2,128,229,342	P293,316,082	P12,121,122,880
December 31, 2008				
	Intangible Assets Arising from Service Concessions	Water Rights	Goodwill	Total
Cost:				
Balance at January 1, 2008	P8,903,130,895	P2,404,778,918	P293,316,082	P11,601,225,895
Additions	932,254,227	-	-	932,254,227
Balance at December 31, 2008	9,835,385,122	2,404,778,918	293,316,082	12,533,480,122
Accumulated amortization:				
Balance at January 1, 2008	164,294,068	108,215,052	-	272,509,120
Amortization	281,897,963	96,191,156	-	378,089,119
Balance at December 31, 2008	446,192,031	204,406,208	-	650,598,239
Net book value	P9,389,193,091	P2,200,372,710	P293,316,082	P11,882,881,883
September 30, 2008				
	Intangible Assets Arising from Service Concessions	Water Rights	Goodwill	Total
Cost:				
Balance at January 1, 2008	P8,903,130,895	P2,404,778,918	P293,316,082	P11,601,225,895
Additions	727,247,004	-	-	727,247,004
Balance at September 30, 2008	9,630,377,899	2,404,778,918	293,316,082	12,328,472,899
Accumulated amortization:				
Balance at January 1, 2008	164,294,068	108,215,052	-	272,509,120
Amortization	211,423,472	72,143,368	-	283,566,840
Balance at September 30, 2008	375,717,540	180,358,420	-	556,075,960
Net book value	P9,254,660,359	P2,224,420,498	P293,316,082	P11,772,396,939

10. Other Noncurrent Assets

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Long-term receivables	₱2,349,308,721	₱2,780,884,962	₱2,736,465,967
Input VAT (see Note 20)	315,633,320	423,004,135	361,460,242
Prepaid expenses	119,878,799	22,359,991	24,262,647
Special deposits and funds	38,981,231	37,171,098	31,418,324
Royalty fee chargeable to NPC	-	-	364,908,024
Cash collateral on Principal Collateralized Interest Reduction (PCIR) Bonds	-	-	3,066,807
Others	66,344,796	63,589,801	31,521,153
	2,890,146,867	3,327,009,987	3,553,103,164
Less allowance for doubtful accounts	2,056,891,475	1,961,023,573	1,961,695,354
	₱833,255,392	₱1,365,986,414	₱1,591,407,810

Long-term receivables

The composition of long-term receivables is as follows:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Claims for VAT refund	₱2,319,401,701	₱1,894,719,994	₱1,894,719,994
NPC accounts and other receivables	29,907,020	886,164,968	959,408,510
Day 1 interest on NPC	-	-	(117,662,537)
	₱2,349,308,721	₱2,780,884,962	₱2,736,465,967

11. Royalty Fee Payable

On July 8, 2009, the Parent Company negotiated with the DOE for the payment of deferred royalty due to DOE amounting to ₱1.4 billion for a period of five years with a quarterly amortization of ₱87.5 million or an annual payment of ₱350.0 million. Beginning in 2009, royalty fee due shall be paid as it becomes due.

On September 11, 2009, the Parent Company received the Provisional Certificates of Registration as Renewable Energy (RE) Developer.

Royalty fee expense decreased due to the fiscal incentives availed pursuant to the RE Law which was implemented retroactive to the effective date of the RE Law.

12. Long-term Debt

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Total Dollar-denominated debt	₱5,789,083,098	₱6,636,009,076	₱7,043,964,414
Total Japanese Yen-denominated debt	18,764,176,572	25,593,446,209	22,296,147,372
Total Peso-denominated debt	12,921,330,149	-	-
	37,474,589,819	32,229,455,285	29,340,111,786
Current portion	(14,738,416,797)	(8,672,427,694)	(7,615,181,009)
Long-term portion	₱ 22,736,173,022	₱23,557,027,591	₱ 21,724,930,777

The Company's foreign-currency denominated long-term debts were translated into Philippine pesos based on the prevailing foreign exchange rates at the date of the unaudited interim consolidated statement of financial position (USD1=JPY90.106: USD1=PHP47.390 on September 30, 2009, USD1=JPY90.942: USD1=PHP47.520 on December 31, 2008 and USD1=JPY104.188: USD1=PHP47.050 on September 30, 2008).

13. Energy Conversion Agreement

On June 18, 2009, Marubeni turned over the Mindanao I and II power plants. These are the power plants built under the BOT scheme under the Energy Conversion Agreement between the Parent Company and Marubeni.

14. Equity

The Parent Company is subject to the nationality requirement that at least sixty percent (60%) of its capital stock must be owned by Filipino citizens since it is engaged in the exploration and exploitation of the country's energy resources and other mineral resources.

Details of Equity are as follows:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Capital Stock			
Common stock - authorized and issued 15,000,000,000 shares @ ₱1 par value	₱15,000,000,000	₱15,000,000,000	₱15,000,000,000
Preferred stock - authorized and issued 7,500,000,000 shares @ ₱0.01 par value	75,000,000	75,000,000	75,000,000
Additional paid-in capital	6,278,075,648	6,278,075,648	6,278,075,648
Deposit for future preferred stock subscription	18,750,000	-	-
Cost of treasury stock - 93,000,000 shares	(404,219,068)	(404,219,068)	(401,360,803)

On May 19, 2009 and June 30, 2009, the BOD and the stockholders during their annual stockholders' meeting, respectively, approved the increase in authorized capital stock of the Parent Company. The increase in authorized capital stock from ₱15.075 billion to

₱30.15 billion divided into 30 billion common shares with a par value of ₱1.00 and 15.0 billion preferred shares with a par value of ₱0.01 per share, shall be effected through the declaration of a 25% stock dividend in the outstanding common shares, and the subscription by the current preferred stockholders to 25% of the increase in the preferred shares.

On October 12, 2009, the SEC approved the increase in the Parent Company's authorized capital stock from ₱15.075 billion to ₱30.15 billion divided into 30 billion common shares with a par value of ₱1.00 per share and 15.0 billion preferred shares with a par value of ₱0.01 per share by way of a common stock dividend (totaling 3.75 billion common shares with any fractional shares being subscribed by the EDC Retirement Fund and/or Trust for the EDC Executive/Employee Stock Ownership Plan) and the subscription by the current preferred stockholders to 1.875 billion preferred shares, representing 25% of the increase in the preferred shares at par value.

The stock dividends to be issued from the increase will be distributed to stockholders as of the record date of October 27, 2009 and the payment date will be on November 23, 2009.

As of September 30, 2009, there are 653 stockholders of EDC.

15. Purchased Services and Utilities

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Professional and technical services	₱735,823,895	₱508,510,884
Purchased services	209,308,981	137,593,933
BOT fees	145,216,477	285,341,725
Hauling and handling costs	126,061,129	62,858,598
Contractual personnel costs	59,603,910	45,750,207
Rig mobilization charges	33,771,538	49,873,515
Purchased utilities	20,553,707	40,434,833
Others	7,071,024	10,337,241
	₱1,337,410,661	₱1,140,700,936

In 2009, the Parent Company implemented a steam augmentation project in LGPF with total projected costs of ₱3.1 billion. The steam augmentation project involves construction of surface infrastructure, installation of pipelines, drilling of new wells and work-over drilling of existing wells. The project commenced in the second half of 2008 and will be undertaken until 2010 to maintain and improve the existing capability of LGPF.

16. Operations and Maintenance Expenses

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Repairs and maintenance	₱1,662,391,440	₱1,148,038,779
Personnel costs	1,161,046,861	1,076,374,665
Materials and supplies issued	851,759,737	738,659,472
Rental, insurance and taxes	636,407,722	152,163,426
(Forward)		

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Royalty fees	₱139,785,422	₱463,458,748
Business and related expenses	13,934,490	120,893,230
	₱4,465,325,672	₱3,699,588,320

The increase in repairs and maintenance was attributed to the steam augmentation program implemented during the year. In addition, the Parent Company replaced the turbine rotor blade of the turbine it uses in its Mahanagdong power plants in LGPF.

The increase in rental, insurance and taxes emanated mainly from the payment of real property tax due on Leyte's power plants (₱275.0 million) while the decrease in royalty fees was attributable to the fiscal incentives of the RE Law.

17. General and Administrative Expenses

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Personnel costs	₱672,325,680	₱676,990,512
Rental, insurance and taxes	632,973,007	364,942,529
Purchased services and utilities	608,265,432	412,612,833
Business and related expenses	271,110,526	137,340,943
Materials and supplies issued	126,112,095	102,945,563
Write-down of inventories for disposal	119,753,786	-
Provision for doubtful accounts	96,773,207	8,009,006
Repairs and maintenance	76,220,621	35,527,368
Credit adjustment on allowance for doubtful accounts (see Note 21)	-	(1,116,185,993)
	₱ 2,603,534,354	₱ 622,182,761

The increase in purchased services and utilities mainly came from the professional fees paid for legal services relative to the real property assessments to the Parent Company and for the consultancy fees (financial, business development and other services) paid to First Gen as discussed in Note 24. Write-down of inventories for disposal are for inventories identified as obsolete and for disposal while the credit adjustment on allowance for doubtful accounts pertained to the one-time adjustment in 2008 for recovery of the fully-provided receivables from NPC brought about by the arbitral award to the Parent Company as discussed in Note 21.

18. Foreign Exchange Gains (Losses)

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Foreign exchange gains (losses) on long-term loans	P212,170,663	(P5,386,115,736)
Foreign exchange losses on other accounts	(15,079,088)	(147,782,792)
	P197,091,575	(P5,533,898,528)

This account pertains to foreign exchange gains adjustments realized on repayment of loans and restatement of outstanding balances of foreign currency-denominated loans, short-term placements and cash in banks. Following are the exchange rates used to restate outstanding balances at yearend:

Currency	Equivalent to US\$1.00		
	September 30, 2009	December 31, 2008	September 30 2008
Japanese Yen	90.106	90.942	104.188
Philippine Peso	47.390	47.520	47.050

19. Interest Income

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Interest on placements	P244,118,525	P177,485,005
Accretion of "day 1 loss" on NPC receivable	57,877,183	72,128,091
Interest on savings/current accounts	796,713	747,134
Interest on overdue accounts/others	2,340,056	190,369
	P305,132,477	P250,550,599

20. Miscellaneous Income (Charges)

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Input VAT write-off	(P178,639,119)	P-
Day 1 gain on royalty payable (see Note 11)	168,284,986	-
Write-down of exploration and evaluation assets	(77,622,605)	-
Inventories from power plant contractor (see Note 13)	53,992,600	260,614,700
Loss on sale of non-current assets held for sale (see Note 7)	(35,537,500)	-
Waste disposal fees	11,593,444	11,478,189
Day 1 loss on NPC receivable (see Note 21)	-	(189,790,628)
Gain on sale AFS investments	-	46,323,392
Others	(8,312,226)	95,369,898
	(P66,240,420)	P223,995,551

21. Revenue from Arbitration Award

On April 24, 2008, the Parent Company and NPC signed a Joint Manifestation and Undertaking (JMU) to abide by the arbitral decision on March 25, 2008. The arbitral decision covered the long-standing issue related to the SSAs and PPAs of EDC and NPC.

In the execution of the arbitral decision, both the Parent Company and NPC agreed that the amount of ₱2,894.93 million shall be paid by NPC to the Parent Company, without further interest, in accordance with the following schedule:

Tranche	Settlement Amount	Payment Term	Actual Date of Settlement
First	₱500.00 million	30 days from submission of JMU to the Office of the Voluntary Arbitrator	July 15, 2008
Second	500.00 million	60 days from submission of JMU to the Office of the Voluntary Arbitrator	July 15, 2008
Third	1,000.00 million	January 2009	February 2, 2009
Fourth	894.93 million	January 2010	Not applicable

Full payment of the foregoing amounts shall constitute full and complete settlement of all the claims each party has against the other as detailed in the November 5, 2007 arbitration agreement.

As a result of the foregoing transaction in 2008, the Parent Company recognized an income of ₱2,894.9 million recorded as revenue from arbitration award of ₱2,067.3 million and a reversal of allowance for doubtful accounts of ₱827.6 million previously recorded related to the portion collected as part of the settlement. In addition, allowance for doubtful accounts of ₱288.60 million was reversed following the resolution of some of certain issues covered by the arbitration. The reduction of the allowance for doubtful accounts resulted in the recognition of the credit adjustments on allowance for doubtful accounts totaling ₱1,116.2 million classified under "General and administrative expenses" account.

The Parent Company collected ₱2,000.0 million (₱1,000.0 million on July 15, 2008 and ₱1,000.0 million February 2, 2009) of the ₱2,894.93 million arbitral settlement award. The remaining amount of ₱894.93 million as of September 30, 2009 shall be collectible in January 2010. The arbitral decision made on March 25, 2008 covered the long-standing issue related to the SSAs and PPAs of the Parent Company and NPC.

22. Earnings Per Share (EPS)

The EPS amounts were computed as follows:

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
(a) Net income attributable to equity shareholders of the parent	₱1,272,818,017	₱2,594,267,160
Less dividends on preferred shares	6,000,000	6,000,000
(b) Net income attributable to common shareholders of the parent	₱1,266,818,017	₱2,588,267,160

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
(c) Weighted average numbers of shares for EPS	14,907,000,000	14,985,602,887
Basic/diluted EPS (b/c)	₱0.085	₱0.173

The Company does not have dilutive common stock equivalents.

23. Income Tax

The deferred tax assets and liabilities are presented in the unaudited interim condensed consolidated statement of financial position as follows:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Deferred tax assets-net	₱1,121,396,467	₱3,410,392,338	₱2,989,707,475
Deferred tax liabilities-net	(11,889,778)	(11,294,373)	(13,446,991)
	₱1,109,506,689	₱3,399,097,965	₱2,976,260,484

The components of the Company's deferred tax assets and liabilities are as follows:

Deferred Tax Assets

	Foreign exchange losses (gains) - BOT Power Plants	Unrealized foreign exchange losses (gains)	Allowance for doubtful accounts	IFRIC 12 Adjustments	Others	Total
At January 1, 2009	₱4,003,828,394	₱2,551,134,895	₱588,823,244	₱ 13,722,968,794	₱546,505,975	₱ 21,413,261,302
Effect of Renewable Energy Act (Note 36)	(2,651,696,048)	(1,687,654,297)	(394,591,773)	(10,355,359,669)	(346,831,851)	(15,436,133,638)
Charge to income for the period	(96,375,847)	(269,480,116)	11,828,423	(30,930,162)	(21,681,259)	(406,638,961)
At September 30, 2009	₱1,255,756,499	₱594,000,482	₱ 206,059,894	₱ 3,336,678,963	₱177,992,865	₱ 5,570,488,703

	Foreign Exchange Losses (Gains) BOT Power Plants	Unrealized Foreign Exchange Losses (Gains)	Allowance For Doubtful Accounts	IFRIC 12 Adjustments	Others	Total
At January 1, 2008	₱4,346,549,575	₱215,335,039	₱1,149,431,133	₱436,335,882	₱603,048,126	₱6,750,699,755
Charged to income for the year	(342,721,181)	2,335,799,856	(560,607,889)	61,244,725	(56,542,151)	1,437,173,360
At December 31, 2008	₱4,003,828,394	₱2,551,134,895	₱588,823,244	₱497,580,607	₱546,505,975	₱8,187,873,115

	Foreign exchange losses (gains) - BOT Power Plants	Unrealized foreign exchange losses (gains)	Allowance for doubtful accounts	IFRIC 12 Adjustments	Others	Total
At January 1, 2008	₱4,346,549,575	₱215,335,039	₱1,149,431,133	₱16,478,104,383	₱603,048,126	₱22,792,468,256
Charge to income for the period	(264,634,118)	1,634,271,490	(461,774,319)	(238,890,187)	(505,622,361)	163,350,505
At September 30, 2008	₱4,081,915,457	₱1,849,606,529	₱ 687,656,814	₱16,239,214,196	₱97,425,765	₱22,955,818,761

Deferred Tax Liabilities

	Deductible expenses per PD 1442	IFRIC 12 Adjustments	Others	Total
At January 1, 2009	(P3,681,358,648)	(P13,225,388,187)	(P1,107,416,502)	(P18,014,163,337)
Effect of Renewable Energy Act (Note 36)	3,513,256,437	8,789,688,420	174,009,581	12,476,954,438
Charge to income for the period	168,102,211	149,803,708	758,320,966	1,076,226,885
At September 30, 2009	P-	(P4,285,896,059)	(P175,085,955)	(P4,460,982,014)

	Deductible Expenses Under PD 1442	Others	Total
At January 1, 2008	(P3,659,182,751)	(P77,998,241)	(P3,737,180,992)
Charged to retained earnings	-	(449,433,875)	(449,433,875)
Charged to income for the year	(22,175,897)	(579,984,386)	(602,160,283)
At December 31, 2008	(P3,681,358,648)	(P1,107,416,502)	(P4,788,775,150)

	Deductible expenses per PD 1442	IFRIC 12 Adjustments	Others	Total
At January 1, 2008	(P3,659,182,751)	(P16,041,768,501)	(P77,998,241)	(P19,778,949,493)
Charged to retained earnings	-	-	(449,433,875)	(449,433,875)
Charge to income for the period	299,332,329	392,614,337	(443,121,575)	248,825,091
At September 30, 2008	(P3,359,850,422)	(P15,649,154,164)	(P970,553,691)	(P19,979,558,277)

	Deferred Tax Assets	Deferred Tax Liability	Net Deferred Tax Assets
At January 1, 2009	P21,413,261,302	(P18,014,163,337)	P3,399,097,965
Effect of Renewable Energy Act (Note 36)	(15,436,133,638)	12,476,954,438	(2,959,179,200)
Charge to income for the period	(406,638,961)	1,076,226,885	669,587,924
At September 30, 2009	P5,570,488,703	(P4,460,982,014)	P1,109,506,689

	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets
At January 1, 2008	P6,750,699,755	(P3,737,180,992)	P3,013,518,763
Charged to retained earnings	-	(449,433,875)	(449,433,875)
Charged to income for the year	1,437,173,360	(602,160,283)	835,013,077
At December 31, 2008	P8,187,873,115	(P4,788,775,150)	P3,399,097,965

	Deferred Tax Assets	Deferred Tax Liability	Net Deferred Tax Assets
At January 1, 2008	P22,792,468,256	(P19,778,949,493)	P3,013,518,763
Charged to retained earnings	-	(449,433,875)	(449,433,875)
Charge to income for the period	163,350,505	248,825,091	412,175,596
At September 30, 2008	P22,955,818,761	(P19,979,558,277)	P2,976,260,484

A numerical reconciliation between tax expense and the product of accounting income multiplied by tax rates of 30% and 10% as follows:

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Accounting income	₱ 4,744,777,398	₱ 3,791,868,318
Income tax at statutory tax rate	533,205,392	1,327,153,727
Effect of change in tax rate	2,959,179,200	(66,744,979)
Deferred tax liability (30%) on third and fourth tranches arbitration income	(311,373,702)	-
Income tax on sale of FB land and building (zonal value minus selling price)	255,226,500	-
Income tax holiday (ITH) incentives	(89,337,427)	(160,350,434)
Interest income subjected to final tax	(73,552,060)	(62,413,953)
Non-deductible expenses	44,868,774	3,651,803
Tax effect of non-deductible interest expense	29,043,387	29,823,833
Non-deductible foreign contractor's tax - excess	4,416,423	-
Deductible temporary differences	3,071,443	117,611,203
Non-deductible foreign exchange loss (gain) on long-term investments in bonds	532,062	(26,439,097)
Others	595,405	(23,585,668)
	₱3,355,875,397	₱1,138,706,435

24. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The following are the transactions that the Company had with related parties for the periods ended September 30, 2009 and 2008.

a. First Balfour, Inc. (First Balfour)

Following the usual bidding process in 2008, the Parent Company awarded to First Balfour a procurement contract amounting to ₱360.0 million for various civil, structural, mechanical and piping works for the LGPF. The Company paid ₱54.0 million in 2008 as 15% advance payment for the steam augmentation project in Leyte which will be recouped from the progress billings.

As of September 30, 2009, the outstanding advance payment of ₱5.2 million was reclassified from "Other current assets" account to "Due from related parties" account while the 10% retention of progress billings was recorded under "Trade and other payables" account with an outstanding balance of ₱31.8 million.

First Balfour is a wholly owned subsidiary of First Holdings.

b. First Gen

First Gen provides financial consultancy, business development and other related services to the Parent Company under a consultancy agreement beginning September 1, 2008. Such agreement is for a period of three years up to August 31, 2011. Under the terms of the agreement, billings for consultancy services shall be ₱8.7 million per month plus applicable taxes. Total consultancy services paid by the Parent Company to First Gen as of September 30, 2009 amounted to ₱120.1 million.

In 2009, FG Hydro availed of unsecured, interest bearing and US dollar-denominated cash advances from First Gen. Said advances are due and demandable and bear interest of 5.29%. The outstanding balance as of September 30, 2009 included in the "Due to related parties" account amounted to ₱170.2 million (\$3.6 million).

c. Various Affiliates

In the ordinary course of business the Company avails of or grants advances from/to its affiliates for working capital requirements. Such advances are unsecured, payable/collectible within 12 months and are noninterest-bearing.

Following are the amounts of transactions for the periods ended September 30, 2009 and 2008 and outstanding balances as of September 30, 2009 and 2008 and December 31, 2008:

Related Party	Nature of Transaction	Transaction for the nine-month period ended September 30		Net amount Due from (to) Related Parties		
		2009	2008	September 30, 2009	December 31, 2008	September 30, 2008
First Gen	Interest-free advances	2,553,186	9,142,481	₱86,472	₱-	₱-
First Balfour, Inc.	Steam augmentation contract in Leyte	309,264,417		5,227,538	-	-
				5,314,010	-	-
First Gen	Consultancy fee	74,205,882	11,463,530	-	(45,854,118)	(11,463,530)
	Acquisition of FG Hydro	-	-	-	-	(4,114,597,818)
	Interest-bearing advances	106,751,502	219,414	(170,227,352)	(63,475,096)	(2,924,180)
	Directors liability insurance		1,358,947	-	(1,358,947)	-
Buang Private Power Corp.	Interest-free advances	39,011	44,021	(189,297)	(150,286)	(44,021)
First Gas Holdings Corp.	Interest-free advances	370,350	329,438	(452,650)	(82,300)	(329,438)
First Gas Power Corp.	Interest-free advances	41,979	497,397	(41,979)	-	(536,205)
FGP Corporation	Interest-free advances		8,823	-	-	(15,832)
				(₱170,911,278)	(₱110,920,747)	(₱4,129,911,024)

Buang Private Power Corporation is a subsidiary of First Private Power Corporation, an associate of First Gen. First Gas Holdings Corporation, First Gas Power Corporation and FGP Corporation are wholly owned subsidiaries of First Gen.

There were no guarantees provided or received for any related party. The Company has not recognized any impairment loss on receivables from related parties as of September 30, 2009 and 2008 and December 31, 2008.

25. Explanatory Comments about the Seasonality or Cyclicity of Interim Operations

Seasonality or cyclicity of interim operations is not applicable to the Company's type of business because of the nature of its contracts with NPC and with the ILECO, which includes guaranteed volume under the applicable take-or-pay, minimum energy off-take or contracted energy provisions.

26. The Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income, or Cash Flows that are Unusual Because of their Nature, Size or Incidence

Except for the ₱2,959.2 million write-down of net deferred tax assets as discussed in Note 36, loan repayment of Miyazawa I amounting to ₱6,270.4 million as discussed in Note 34, and the ₱1,127.7 million proceeds from sale of the Company's land, buildings and improvements in Fort Bonifacio to PNOC as discussed in Note 7, there are no other assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

27. The Nature and Amount of Changes in Estimates of Amounts Reported in Prior Interim Periods of the Current Fiscal Year or Changes in Estimates of Amounts Reported in Prior Financial Years, If Those Changes Have a Material Effect in the Current Interim Period

Except for the change in rate from 30% to 10% in computing the deferred taxes relative to the effect of the RE Law as discussed in Notes 23 and 36, there are no significant changes in estimates of amounts during the current period as well as in the comparative period in 2008.

28. Issuances, Repurchases, and Repayments of Debt and Equity Securities

In January 2009, the Parent Company received ₱4,100.0 million proceeds from the International Finance Corporation (IFC) loan.

On June 1, 2009, Miyazawa I loan amounting to ₱6,300.0 million was fully settled.

As of June 30, 2009, the obligations to a power plant contractor have been fully settled. On June 18, 2009, all the BOT power plants have been turned over to EDC.

On July 3, 2009, the Parent Company received ₱7,500 million proceeds from the issuance of fixed rate corporate notes (FRCN) - split into two (2) tranches – ₱2,644 million a 5-year plus 1 day and ₱4,856 a 7-year series paying a coupon of 8.3729% and 9.4042% respectively. On September 3, 2009, the Parent Company received ₱1,500 million proceeds from the additional issuance of FRCN, a 5-year plus 1 day series paying a coupon of 8.4321%.

On July 8, 2009, the Parent Company has been able to negotiate with DOE the extension of the payment of royalty fee payable over five years as discussed in Note 11.

29. Dividends Paid

On March 30, 2009, the BOD of the Parent Company approved the following cash dividends in favor of all stockholders of record as of April 16, 2009 and were paid on May 11, 2009:

- cash dividend of ₱0.0008 per share on the preferred shares
- cash dividend of ₱0.125 per share on the common shares.

30. The Effect of Changes in the Composition of the Issuer During the Interim Period, including Business Combinations, Acquisition or Disposal of Subsidiaries and Long-term Investments, Restructurings, and Discontinuing Operations

Except for the incorporation of Green Core and EDC Drillco Corporation, there are no material changes in the composition of the registrant during the period.

31. Changes in Contingent Liabilities or Contingent Assets Since the Last Annual Consolidated Statement of Financial Position Date

There are no material changes in the contingent liabilities or contingent assets since the last annual consolidated statement of financial position date.

32. Existence of Material Contingencies and Any Other Events or Transactions that are Material to an Understanding of the Current Interim Period

There are no material contingencies and any other events or transactions during the period.

33. Share Buyback Program

On March 25, 2008, the BOD approved a share buyback program involving up to P4.0 billion worth of the Company's common shares, representing approximately four percent (4%) of the Company's market capitalization as of the date of the approval. The buyback program will be carried out within a two-year period commencing on March 26, 2008 and ending on March 25, 2010.

On January 23, 2009, the BOD approved an amendment to the Company's share buyback program, to include, not only the foregoing objective of acquiring shares to implement the proposed executive/employee stock ownership plan, but also for the purpose of enhancing shareholder value whenever the stock is trading at a price discount to its true valuation.

The share buyback program will be implemented through grants, options, purchases or other equivalent methods.

As of September 30, 2009 and December 31, 2008, the Company's treasury shares totaled 93,000,000 common shares for a total value of P404.2 million since no additional purchase or grant was made during the period.

34. Financial Risk Management Objectives and Policies

The Company's financial instruments consist mainly of cash and cash equivalents, AFS investments, and long-term debt. The main purpose of these financial instruments is to finance the Company's operations and accordingly manage its exposure to financial risks. The Company has various financial assets and liabilities such as trade receivables, concession receivables, trade payables and other liabilities, which arise directly from operations.

Risk Management Strategy

The Company uses the risk management option model in its Risk Management Strategy formulation. This model involves whether to accept or reject the risk identified based on the risk management process. When the risk is accepted, the Company chooses the following alternatives: retain, reduce, exploit, modify time and wait and see. When the risk is rejected, the Company may opt to avoid or transfer the risk.

Financial Risk Management Policy

The main risks arising from the Company's financial instruments are credit and credit concentration risk, interest rate risk, liquidity risk, and foreign currency risk. The Company's policies for managing the aforementioned risks are summarized hereinafter below.

Credit Risk and Credit Concentration

The Company's geothermal and power generation business trades with only one major customer, NPC, a government-owned and controlled corporation. Any failure on the part of NPC to pay its obligations to the Company would significantly affect the Company's business operations. As a practice, the Company monitors closely its collection from NPC and charges interest on delayed payments following the provision of its respective SSAs and PPAs. Receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is not significant. The maximum exposure of trade receivables is equal to the carrying amount.

With respect to credit risk arising from other financial assets of the Company, which comprise of cash and cash equivalents excluding cash on hand, trade and other receivables, AFS investments, derivatives assets, concession receivables, cash collateral on PCIR bonds and deferred royalty fee, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	September 30, 2009	December 31, 2008	September 30, 2008
Loans and receivables:			
Cash and cash equivalents (excludes cash on hand)	₱11,897,672,373	₱953,088,221	₱4,043,521,701
Trade receivables - net	3,261,609,396	4,763,042,643	5,420,055,016
Non-trade receivables	59,112,261	237,513,288	270,303,775
Loans and notes receivables	62,566,369	60,350,973	63,071,724
Employee receivables	38,611,856	31,358,060	29,634,144
Advances to employees	31,024,431	26,724,217	29,374,428
Long-term receivables - net	16,773,760	819,861,389	774,770,613
Concession receivable	33,159,383,136	34,695,434,198	35,257,841,746
Cash collateral on PCIR Bonds	-	3,519,226	3,066,807
Royalty fee chargeable to NPC	-	122,018,657	364,908,024
Due from related parties	5,314,010	-	-
AFS investments:			
Debt investments	750,806,879	674,494,128	690,094,113
Equity investments	16,018,900	13,597,238	20,779,390
Financial assets at FVPL:			
Derivative assets	25,412,438	648,988,818	45,834,583
	₱49,324,305,809	₱43,049,991,056	₱47,013,256,064

The Company trades only with recognized, creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness and which have passed the financial evaluation and accreditation of the Company.

The table below shows the Company's aging analysis of past due but not impaired receivables as of September 30, 2009 and 2008 and December 31, 2008:

September 30, 2009							
Past Due but Not Impaired							
	Neither Past Due nor Impaired	Less than 30 Days	Over 1 Year			Past Due and Impaired	Total
			31 Days to 1 Year	up to 3 Years	Over 3 Years		
<i>(In Thousand Pesos)</i>							
Loans and receivables:							
Cash and cash equivalents	₱11,902,272	₱-	₱-	₱-	₱-	₱-	₱11,902,272
Trade receivables	3,261,609	-	-	-	-	12,686	3,274,295
Non-trade receivables	39,003	1323	18,144	586	56	-	59,112
Loans and notes receivables	58,645	-	9	3,912	-	-	62,566
Employee receivables	38,520	42	50	-	-	-	38,612
Advances to employees	30,470	422	133	-	-	-	31,025
Long-term receivables	-	-	-	3,985	12,789	13,133	29,907
Concession receivable	33,159,383	-	-	-	-	-	33,159,383
Due from related parties	5,314	-	-	-	-	-	5,314
AFS investments:							
Debt investments	750,807	-	-	-	-	-	750,807
Equity investments	16,019	-	-	-	-	-	16,019
Financial assets at FVPL:							
Derivative assets	25,412	-	-	-	-	-	25,412
Total	₱49,287,454	₱1,787	₱18,336	₱8,483	₱12,845	₱25,819	₱49,354,724

December 31, 2008							
Past Due but Not Impaired							
	Neither Past Due nor Impaired	Less than 30 Days	Over 1 Year			Past Due and Impaired	Total
			31 Days to 1 Year	up to 3 Years	Over 3 Years		
<i>(In Thousand Pesos)</i>							
Loans and receivables:							
Cash and cash equivalents	₱953,088	₱-	₱-	₱-	₱-	₱-	₱953,088
Trade receivables	4,746,756	-	16,286	-	-	11,780	4,774,822
Non-trade receivables	227,208	4,974	5,274	-	57	-	237,513
Loans and notes receivables	51,814	221	7,474	551	291	-	60,351
Employee receivables	31,267	-	82	10	-	-	31,359
Advances to employees	14,925	5,550	5,860	389	-	-	26,724
Long-term receivables	819,861	-	-	-	-	66,304	886,165
Concession receivable	34,695,434	-	-	-	-	-	34,695,434
Cash collateral on PCIR Bonds	3,519	-	-	-	-	-	3,519
Royalty fee chargeable to NPC	122,019	-	-	-	-	-	122,019
AFS investments:							
Debt investments	674,494	-	-	-	-	-	674,494
Equity investments	13,597	-	-	-	-	-	13,597
Financial assets at FVPL:							
Derivative assets	648,989	-	-	-	-	-	648,989
Total	₱43,002,971	₱10,745	₱34,976	₱950	₱348	₱78,084	₱43,128,074

September 30, 2008

Past Due but Not Impaired

	Neither Past Due Nor Impaired	Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Past Due and Impaired	Total
<i>(In Thousand Pesos)</i>							
Loans and receivables:							
Cash and cash equivalents	₱4,047,510	₱-	₱-	₱-	₱-	₱-	₱4,047,510
Trade receivables	5,250,019	-	169,892	144	-	3,500	5,423,555
Non-trade receivables	186,687	929	29,741	52,947	-	-	270,304
Loans and notes receivables	63,072	-	-	-	-	-	63,072
Employee receivables	29,542	-	92	-	-	-	29,634
Advances to employees	29,374	-	-	-	-	-	29,374
Long-term receivables	-	-	-	774,771	-	64,939	839,710
Concession receivable	35,257,842	-	-	-	-	-	35,257,842
Cash collateral on PCIR Bonds	3,067	-	-	-	-	-	3,067
Royalty fee chargeable to NPC	364,908	-	-	-	-	-	364,908
AFS investments:							
Debt investments	690,094	-	-	-	-	-	690,094
Equity investments	20,779	-	-	-	-	-	20,779
Financial assets at FVPL:							
Derivative assets	30,332	-	15,502	-	-	-	45,834
Total	₱45,973,226	₱929	₱215,227	₱827,862	₱-	₱68,439	₱47,085,683

Credit Quality of Neither Past due nor Impaired Financial Assets

Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, the credit risk exposure is minimal. These counterparties normally include customers, banks and related parties who pay on or before due date. Financial assets are classified as standard grade if the counterparties settle their obligation with the Company with tolerable delays. Low grade accounts are accounts, which have probability of impairment based on historical trend. These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms.

As of September 30, 2009 and 2008 and December 31, 2008, financial assets categorized as neither past due nor impaired are viewed by management as high grade, considering the collectability of the receivables and the credit history of the counterparties. Financial assets that are classified as past due but not impaired are considered as standard grade since based on management's assessment as of September 30, 2009 there is an assured collection on these accounts, thus no provision for doubtful accounts has been recognized thereof.

Foreign Currency Risk

The Company's exposure to foreign currency risk resulted from the financial assets and liabilities that are denominated in U.S. dollar and Japanese yen. This primarily arise from future payments of foreign loans, BOT lease obligation and other commercial transactions and the Company's investment in ROP Bonds.

The Company's exposure to foreign currency risk to some degree is mitigated by some provisions in the Company's GSCs, SSAs and PPAs. The service contracts allow full cost recovery while the sales contracts include billing adjustments covering the movements in Philippine peso and the U.S. dollar rates, US Price and Consumer Indices, and other inflation factors.

To mitigate further the effects of foreign currency risk, the Company will prepay, refinance or hedge its foreign currency denominated loans, whenever deemed feasible. During 2008, the Company entered into derivative contracts with various counterparties to hedge its JPY12 billion Miyazawa I loan. The derivatives contracts had already matured on May 26, 2009 and were settled on May 28, 2009.

The Company's foreign currency-denominated financial assets and liabilities (translated into Philippine peso) as of September 30, 2009 and 2008 and December 31, 2008, are as follows:

	September 30, 2009			September 30, 2008		
	Original Currency		Peso Equivalent ¹	Original Currency		Peso Equivalent ²
	Japanese Yen	US Dollar		Japanese Yen	US Dollar	
Financial Assets						
Loans and receivables:						
Cash equivalents	-	5,471,191	259,279,764	-	9,630,055	453,094,067
Cash on hand and in banks	-	2,161,880	102,451,492	385,119	293,387	13,977,767
Trade and other receivables	-	2,405,251	113,984,846	-	2,985,048	140,446,514
Cash collateral on PCIR						
Bonds	-	-	-	-	65,182	3,066,807
AFS investments -						
Government debt securities	-	15,843,150	750,806,879	-	14,733,962	693,232,904
Financial assets at FVPL:						
Derivative assets	-	522,558	24,764,042	-	974,168	45,834,583
Total financial assets	-	26,404,030	1,251,287,023	385,119	28,681,802	1,349,652,642
Current Financial Liabilities						
Liabilities at amortized cost:						
Trade and other payables	533,729,982	9,549,180	733,242,500	513,261,431	4,544,997	445,624,546
Short-term payable	-	-	-	-	-	-
Current portion of interest-bearing financial liabilities	23,646,873,926	34,701,764	14,081,261,718	13,868,893,372	28,886,730	7,622,139,744
Due to related parties	-	3,592,094	170,229,348	-	-	-
Current portion of obligations to a power plant contractor	-	-	-	-	3,626,529	170,628,173
Financial liabilities at FVPL -						
Derivative liabilities	-	-	-	-	-	-
Total current financial liabilities	24,180,603,908	47,843,038	14,984,733,566	14,382,154,803	37,058,256	8,238,392,463
Noncurrent Financial Liabilities						
Liabilities at amortized cost:						
Interest-bearing financial liabilities - net of current portion	12,030,927,326	87,456,562	10,472,065,729	35,881,348,972	121,455,585	21,918,054,475
Total noncurrent financial liabilities	12,030,927,326	87,456,562	10,472,065,729	35,881,348,972	121,455,585	21,918,054,475
Total financial liabilities	36,211,531,234	135,299,600	25,456,799,295	50,263,503,775	158,513,841	30,156,446,938

¹USD1=JPY90.106 and USD1= P47.390 ²USD1=JPY104.188 and USD1= P47.050

December 31, 2008

	Original Currency		Peso Equivalent ¹
	Japanese Yen	US Dollar	
Financial Assets			
Loans and receivables:			
Cash equivalents	-	16,769,052	796,865,372
Cash on hand and in banks	386,027	262,524	12,857,892
Trade and other receivables	-	2,442,801	116,081,918
Cash collateral on PCIR Bonds	-	74,058	3,519,226
AFS investments -			
Government debt securities	-	14,193,900	674,494,128

(Forward)

	Original Currency		Peso Equivalent ¹
	Japanese Yen	US Dollar	
Financial assets at FVPL:			
Derivative assets	₱-	₱13,657,172	₱648,988,818
Total financial assets	386,027	47,399,507	2,252,807,354
Current Financial Liabilities			
Liabilities at amortized cost:			
Trade and other payables	390,442,807	15,881,766	919,566,162
Current portion of interest-bearing financial liabilities	13,856,808,675	30,131,115	8,672,427,695
Current portion of obligations to a power plant contractor	-	2,360,847	112,187,446
Financial liabilities at FVPL:			
Derivative liabilities	-	1,110,992	54,250,018
Total current financial liabilities	14,247,251,482	49,484,720	9,758,431,321
Noncurrent Financial Liabilities			
Liabilities at amortized cost:			
Interest-bearing financial liabilities - net of current portion	35,123,058,752	109,515,541	23,557,027,591
Obligations to a power plant contractor - net of current portion	-	-	-
Total noncurrent financial liabilities	35,123,058,752	109,515,541	23,557,027,591
Total financial liabilities	49,370,310,234	159,000,261	33,315,458,912

¹USD1=JPY90.942 and USD1= ₱47.520

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar and Japanese yen exchange rates, with all other variables held constant, of the Company's profit before income tax as at September 30, 2009 and 2008 (arising from revaluation of monetary assets and liabilities and derivative instruments).

September 30, 2009		
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax
USD	10% or PHP4.739 (10% or PHP4.739)	(₱500,098,332) 468,977,253
JPY	10% or PHP0.05844 (10% or PHP0.04781)	(2,116,105,803) 1,731,359,293
EURO ^(a)	10% against USD (10% against USD)	49,555,258 (18,434,179)
September 30, 2008		
	Foreign Currency Appreciates (Depreciates) By	Effect on Profit Before Tax
USD	10% or PHP4.705 (10% or PHP4.705)	(₱587,274,651) 525,521,107
JPY	10% or PHP0.05018 (10% or PHP0.04105)	(2,522,021,872) 2,063,472,440
EURO ^(a)	10% against USD (10% against USD)	88,371,865 (26,618,321)

^(a) This pertains to fair valuation of FG Hydro's derivative asset which is a currency option.

Equity Price Risk

Equity price risk is the risk that the fair value of traded equity instruments decrease as the result of the changes in the levels of equity indices and the value of the individual stocks.

As of September 30, 2009 and 2008 and December 31, 2008, the Company's exposure to equity price risk is minimal.

Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates, derivative assets, derivative liabilities and AFS investments.

The interest rates of some of the Company's long-term borrowings, AFS debt investments and finance leases (to which the Company is a lessee) are fixed at the inception of the loan agreement and/or lease.

The Company regularly evaluates its interest rate risk by taking into account the cost of qualified borrowings being charged by its creditors. Prepayment, refinancing or hedging the risks are undertaken when deemed feasible and advantageous to the Company.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax and equity as of September 30, 2009 and 2008. The effect also includes impact of change in interest rates on derivatives.

September 30, 2009			
	Increase/Decrease in Basis Points	Effect on Income Before Income Tax	Effect on Equity
PHP	+100	(P45,888,889)	P-
	-100	45,888,889	-
USD	+100	(26,098,273)	(27,134,606)
	-100	26,183,593	29,829,761
JPY	+100	-	-
	-100	-	-
EURO	+100	(1,981,780)	-
	-100	4,084,042	-
September 30, 2008			
	Increase/Decrease in Basis Points	Effect on Income Before Income Tax	Effect on Equity
PHP	+100	P-	P-
	-100	-	-
USD	+100	(31,655,257)	(27,996,104)
	-100	32,282,282	29,720,727
JPY	+100	(30,847,511)	-
	-100	30,847,511	-
EURO	+100	(4,752,245)	-
	-100	10,270,007	-

Interest Rate Risk Table

The following table provides for the effective interest rates and interest payments by period of maturity of the Company's long-term debt.

	Interest Rates	Within 1 Year	More than 1 Year but less than 4 Years	4-5 Years	More than 5 Years	Total
September 30, 2009						
Fixed Rate						
Long-term debt:						
OEFC	3%–5.7%	₱71,272	₱40,351	₱11,747	₱27,820	₱151,190
JEXIM ^(a) 3747	3.5%	31,960	–	–	–	31,960
JBIC ^(b) 21 st yen	2.3% & 2.7%	123,894	226,543	197,505	583,877	1,131,819
Miyazawa II	2.37%	274,224	–	–	–	274,224
IFC	7.40%	307,614	616,071	551,177	1,218,657	2,693,519
Power Sector Assets and Liabilities Management Corporation (PSALM) Loan	12.00%	308,076	537,084	22,337	–	867,497
FCRN Series 1	8.37%	217,690	352,116	162,068	–	731,874
FCRN Series 2	9.4%	454,765	830,089	581,681	230,744	2,097,279
FCRN Series 3	8.43%	112,621	202,283	93,104	–	408,008
Short-term debt:						
BPI	7.00%	3,986	–	–	–	3,986
ING	7.00%	1,919	–	–	–	1,919
Mizuho	4.00%	262	–	–	–	262
September 30, 2009						
Floating Rate						
Long-term debt:						
IBRD	7.43%	209,088	34,315	–	–	243,403
Short-term debt:						
LBP	7.10%	37,078	–	–	–	37,078
December 31, 2008						
Fixed Rate						
Long-term debt:						
OEFC	3%–5.7%	₱80,125,182	₱72,791,485	₱12,616,304	₱30,880,143	₱196,413,114
JEXIM ^(a) 3747	3.5%	39,312,925	31,753,377	–	–	71,066,302
JBIC ^(b) 21 st yen	2.3% & 2.7%	130,228,204	239,046,620	210,803,299	674,642,893	1,254,721,016
Miyazawa I	2.62% &	98,019,103	–	–	–	98,019,103
Miyazawa II	3.78%	272,449,143	136,224,572	–	–	408,673,715
PSALM Loan	2.37%	791,404,919	1,582,809,837	1,582,809,838	–	3,957,024,594
	12.00%					
December 31, 2008						
Floating Rate						
Long-term debt:						
IBRD	7.07%	243,635,506	158,627,319	–	–	402,262,825
September 30, 2008						
Fixed Rate						
Long-term debt:						
OEFC	3%–5.7%	₱76,568	108,824	70,406	₱108,272	₱364,070
JEXIM ^(a) 3747	3.5%	34,130	27,567	–	–	61,697
JBIC ^(b) 21 st yen	2.3% & 2.7%	113,059	207,531	183,011	585,698	1,089,299
Miyazawa I	2.63% &	170,008	–	–	–	170,008
Miyazawa II	3.78%	236,530	236,530	–	–	473,060
PCIR Bonds	2.37%	16,012	–	–	–	16,012
PSALM Loan	6.50%	358,415	733,162	105,934	22,177	1,219,688
	12.00%					

(Forward)

	Interest Rates	Within 1 Year	More than 1 Year but less than 4 Years	4-5 Years	More than 5 Years	Total
September 30, 2008						
Floating Rate						
Long-term debt:						
IBRD	7.07%	₱261,734	₱211,432	₱-	₱-	₱473,166

(a) *The Export - Import Bank of Japan*

(b) *Japan Bank for International Cooperation*

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and sourcing flexibility through the use of available financial instruments. The Company manages its liquidity profile to meet its working and capital expenditure requirements and service debt obligations. As part of the liquidity risk management program, the Company regularly evaluates and considers the maturity of both its financial investments and financial assets (e.g. trade receivables, other financial assets) and resorts to short-term borrowings whenever its available cash or matured placements is not enough to meet its daily working capital requirements. To ensure immediate availability of short-term borrowings, the Company maintains credit lines with banks on a continuing basis.

Liquidity risk arises primarily when the Company has difficulty collecting its receivables from its major customer, NPC. Other instances that contribute to its exposure to liquidity risk are when the Company finances long-term projects with internal cash generation and when there is credit crunch especially at times when the company has temporary funding gaps.

The tables below show the maturity profile of the Company's financial assets used for liquidity purposes based on contractual undiscounted cashflows as of September 30, 2009 and 2008 and December 31, 2008.

September 30, 2009							
	On demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousands)</i>							
AFS Investments:							
Debt investments	₱750,807	₱-	₱-	₱-	₱-	₱-	₱750,807
Loans and receivables:							
Cash equivalents	-	10,008,742	-	-	-	-	10,008,742
Total	₱750,807	₱10,008,742	₱-	₱-	₱-	₱-	₱10,759,549

December 31, 2008							
	On demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousands)</i>							
AFS Investments:							
Debt investments	₱674,494	₱-	₱-	₱-	₱-	₱-	₱674,494
Loans and receivables:							
Cash equivalents	-	929,213	-	-	-	-	929,213
Total	₱674,494	₱929,213	₱-	₱-	₱-	₱-	₱1,603,707

September 30, 2008

	On demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousands)</i>							
AFS Investments:							
Debt investments	P690,094	P-	P-	P-	P-	P-	P690,094
Loans and receivables:							
Cash equivalents	-	3,982,114	-	-	-	-	3,982,114
Total	P690,094	P3,982,114	P-	P-	P-	P-	P4,672,208

The tables below summarize the maturity analysis of the Company's financial liabilities as of September 30, 2009 and 2008 and December 31, 2008 based on contractual undiscounted payments:

September 30, 2009

	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years	Total
<i>(In Thousands)</i>							
Liabilities at amortized cost:							
Accounts payable - trade	P-	P1,448,639	P-	P-	P-	P-	P1,448,639
Accrued interest and guarantee fees	-	776,294	125,372	-	-	-	901,666
Other current liabilities	-	7,918	-	-	-	-	7,918
Loan payable	-	2,035,042	-	-	-	-	2,035,042
Due to related parties	-	170,911	-	-	-	-	170,911
Royalty fee payable	-	-	143,851	-	673,344	-	817,195
Long-term debt	-	1,104,307	1,638,154	15,612,961	16,659,521	11,376,143	46,391,086
Total	P-	P5,543,111	P1,907,377	P15,612,961	P17,332,865	P11,376,143	P51,772,457

December 31, 2008

	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years	Total
<i>(In Thousands)</i>							
Liabilities at amortized cost:							
Accounts payable - trade	P168,208	P1,478,004	P-	P-	P-	P-	P1,646,212
Accrued interest and guarantee fees	-	347,876	-	-	-	-	347,876
Accrued premium on range bonus forwards	-	-	175,116	-	-	-	175,116
Other current liabilities	-	8,649	-	-	-	-	8,649
Loan payable	-	34,500	33,750	2,066,750	-	-	2,135,000
Due to related parties	63,708	47,213	-	-	-	-	110,921
Royalty fee payable	-	1,688,282	-	-	-	-	1,688,282
Obligations to a power plant contractor	-	61,011	54,140	-	-	-	115,151
Long-term debt	-	532,144	7,315,727	2,245,116	21,761,378	4,025,796	35,880,161
Total	P231,916	P4,197,679	P7,578,733	P4,311,866	P21,761,378	P4,025,796	P42,107,368

September 30, 2008

	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years	Total
<i>(In Thousands)</i>							
Liabilities at amortized cost:							
Accounts payable - trade	P15,077	P1,213,048	P-	P-	P-	P-	P1,228,125
Accrued interest and guarantee fees	-	352,536	140,079	-	-	-	492,615
Accrued premium on range bonus forwards	-	-	-	114,117	-	-	114,117
Other current liabilities	-	8,234	-	-	-	-	8,234
Loan payable	-	84,411	-	-	-	-	84,411
Due to related parties	-	11,464	3,850	-	-	-	15,314

(Forward)

September 30, 2008							
	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years	Total
Royalty fee payable	P-	P-	P1,714,004	P-	P-	P-	P1,714,004
Obligations to a power plant contractor	-	60,141	59,486	56,217	-	-	175,844
Long-term debt	-	982,253	869,804	6,861,678	17,333,811	7,434,598	33,482,144
Total	P15,077	P2,712,087	P2,787,223	P7,032,012	P17,333,811	P7,434,598	P37,314,808

The following tables show the fair value information of financial instruments classified under FVPL and AFS analyzed by source of inputs on fair valuation as follows:

- Quoted prices in active markets for identical assets or liabilities (Level 1)
- Those involving inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); (Level 2) and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	September 30, 2009	Level 1	Level 2	Level 3
Financial assets at FVPL -				
Derivative Assets	P25,412,438	P-	P25,412,438	P-
AFS investments:				
Debt investments	750,806,879	750,806,879	-	-
Equity investments	16,018,900	16,018,900	-	-
	December 31, 2008	Level 1	Level 2	Level 3
Financial assets at FVPL -				
Derivative asset	P34,907,195	P-	P34,907,195	P-
Derivative liability	54,250,018	-	54,250,018	-
AFS investments:				
Debt investments	674,494,128	674,494,128	-	-
Equity investments	13,522,688	13,522,688	-	-
	September 30, 2008	Level 1	Level 2	Level 3
Financial assets at FVPL -				
Derivative asset	P45,834,583	P-	P45,834,583	P-
AFS investments:				
Debt investments	690,094,113	690,094,113	-	-
Equity investments	16,963,604	16,963,604	-	-

During the nine month period ended September 30, 2009, 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.

Financial Assets and Financial Liabilities

Set out below is a comparison of carrying amounts and fair values of the Company's financial instruments as of September 30, 2009 and 2008 and December 31, 2008.

	September 30, 2009		September 30, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱11,902,272,413	₱11,902,272,413	₱4,047,509,523	₱4,047,509,523
Trade receivables	3,261,609,396	3,261,609,396	5,420,055,016	5,420,055,016
Non-trade receivables	59,112,261	59,112,261	270,303,775	270,303,775
Loans and notes receivables	62,566,369	62,566,369	63,071,724	63,071,724
Employee receivables	38,611,856	38,611,856	29,634,144	29,634,144
Advances to employees	31,024,431	31,024,431	29,374,428	29,374,428
Long-term receivables	16,773,760	14,746,618	774,770,613	815,829,656
Concession receivable	33,159,383,136	29,927,230,494	35,257,841,746	30,898,034,802
Cash collateral on PCIR Bonds	-	-	3,066,807	3,066,807
Royalty fee chargeable to NPC	-	-	364,908,024	364,908,024
Due from related parties	5,314,010	5,314,010	-	-
(Forward)				
AFS investments:				
Debt investments	₱750,806,879	₱750,806,879	₱690,094,113	₱690,094,113
Equity investments	16,018,900	16,018,900	20,779,390	20,779,390
Financial assets at FVPL -				
Derivative assets	25,412,438	25,412,438	45,834,583	45,834,583
	₱49,328,905,849	₱46,094,726,065	₱47,017,243,886	₱42,698,495,985
Financial Liabilities				
Financial liabilities at amortized cost:				
Accounts payable - trade	₱1,448,639,055	₱1,448,639,055	₱1,228,125,548	₱1,228,125,548
Accrued interest and guarantee fees	901,665,988	901,665,988	492,615,614	492,615,614
Accrued premium on derivatives	-	-	114,116,917	114,116,917
Other current liabilities	7,917,914	7,917,914	8,233,713	8,233,713
Loan payable	2,000,000,000	2,000,000,000	84,000,000	84,000,000
Due to related parties	170,911,278	170,911,278	4,129,911,024	4,129,911,024
Royalty fee payable	817,194,809	854,523,090	1,714,003,653	1,714,003,653
Obligations to a power plant contractor	-	-	170,628,173	170,628,173
Long-term debt	37,474,589,819	40,547,409,954	29,340,111,786	31,349,738,976
Financial liabilities at FVPL -				
Derivative liabilities	-	-	-	-
	₱42,820,918,863	₱45,931,067,279	₱37,281,746,428	₱39,291,373,618
December 31, 2008				
			Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents			₱957,088,260	₱957,088,260
Trade receivables			4,763,042,643	4,763,042,643
Non-trade receivables			237,513,288	237,513,288
Loans and notes receivables			60,350,973	60,350,973
Employee receivables			31,358,060	31,358,060
Advances to employees			26,724,217	26,724,217
Long-term receivables			819,861,389	838,203,873
Concession receivable			34,695,434,198	30,995,036,175

(Forward)

December 31, 2008		
	Carrying Amount	Fair Value
Cash collateral on PCIR Bonds	₱3,519,226	₱3,519,226
Royalty fee chargeable to NPC	122,018,657	122,018,657
AFS investments:		
Debt investments	674,494,128	674,494,128
Equity investments	13,597,238	13,597,238
Financial assets at FVPL -		
Derivative assets	648,988,818	648,988,818
	₱43,053,991,095	₱39,371,935,556
Financial Liabilities		
Financial liabilities at amortized cost:		
Accounts payable - trade	₱1,645,574,303	₱1,645,574,303
Accrued interest and guarantee fees	391,098,899	391,098,899
Accrued premium on range bonus forwards	175,116,194	175,116,194
Other current liabilities	8,649,387	8,649,387
Loan payable	2,000,000,000	2,000,000,000
Due to related parties	110,920,747	110,920,747
Royalty fee payable	1,688,282,467	1,688,282,467
Obligations to a power plant contractor	112,187,446	111,720,404
Long-term debt	32,229,455,285	34,255,439,515
Financial liabilities at FVPL -		
Derivative liabilities	54,250,018	54,250,018
	₱38,415,534,746	₱40,441,051,934

The methods and assumptions used by the Company in estimating the fair value of financial instruments are:

Cash and Cash Equivalents. Carrying amounts approximate fair values due to its short-term nature.

Trade and Other Receivables, Cash Collateral on PCIR Bonds, Royalty Fee Chargeable to NPC, Due to Related Parties, Trade and Other Payables and Loan Payable. These are instruments with relatively short maturity ranging 1 to 3 months. Carrying amounts approximate fair values.

Long-term Receivables. The fair value of long-term receivables was computed by discounting the expected cash flow using the applicable rates ranging from of 4.40% and 5.29% and 6.84% as of the end of the third quarter of 2009 and 2008, respectively and 6.08% to 6.59% as of December 31, 2008.

Concession Receivable. The fair value of concession receivables is computed by discounting the expected free cash flows using the applicable rates as of consolidated statement of financial position dates ranging from 4.05% to 9.68% and 6.22% to 9.39% as of the end of the third quarter of 2009 and 2008, respectively and 5.26% to 15.03% as of December 31, 2008.

AFS Investments. Fair values of debt securities are based on quoted market prices. For equity investments that are not quoted, the investments are carried at cost less allowance for impairment losses due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Derivative Assets and Liabilities. The fair values of range bonus forwards and currency forwards were determined by reference to market values provided by counterparty banks. The currency options were valued using Garman- Kohlhagen option pricing model that takes into account such factors as the risk-free US Dollar and Euro interest rates and historical volatility.

Long-term Debt and Royalty Fee Payable. The fair values for the Parent Company's long-term debt are estimated using the discounted cash flow methodology with the applicable rates ranging from 0.19% to 6.02% and 0.84% to 6.12% as of the end of the third quarter of 2009 and 2008, respectively, while for FG Hydro, the fair value of deferred payment facility with PSALM was computed by discounting the facility's expected future cash flows using the prevailing credit adjusted Philippine Government Zero Coupon Yield interest rates ranging from 4.12% to 6.21% and 6.35% 7.78% as of the end of the third quarter of 2009 and 2008, respectively and from 5.82% to 6.71% as of December 31, 2008.

Fair values of royalty fee payable are determined using discount rates ranging from 4.40% to 5.49 % and 3.94% to 6.22% as of the end of the third quarter of 2009 and 2008, respectively while fair value approximates the carrying value as of December 31, 2008.

Obligations to a Power Plant Contractor. Fair value of obligations to a power plant contractor approximates the carrying value in the third quarter of 2008.

The Company classifies its financial instruments in the following categories.

	September 30, 2009					
	Loans and Receivables	AFS Investments	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
	<i>(In Thousands)</i>					
Financial Assets						
Cash and cash equivalents	P11,902,272	P-	P-	P-	P-	P11,902,272
Trade receivables	3,261,609	-	-	-	-	3,261,609
Non-trade receivables	59,112	-	-	-	-	59,112
Loans and notes receivables	62,566	-	-	-	-	62,566
Employee receivables	38,612	-	-	-	-	38,612
Advances to employees	31,024	-	-	-	-	31,024
Long-term receivables	16,774	-	-	-	-	16,774
Concession receivable	33,159,383	-	-	-	-	33,159,383
Due from related parties	5,314	-	-	-	-	5,314
AFS - debt investments	-	750,807	-	-	-	750,807
AFS - equity investments	-	16,019	-	-	-	16,019
Derivative assets	-	-	25,412	-	-	25,412
Financial Liabilities						
Accounts payable – trade	-	-	-	1,448,639	-	1,448,639
Accrued interest and guarantee fees	-	-	-	901,666	-	901,666
Other current liabilities	-	-	-	7,918	-	7,918
Loan payable	-	-	-	2,000,000	-	2,000,000
Due to related parties	-	-	-	170,911	-	170,911
Royalty fee payable	-	-	-	817,195	-	817,195
Long-term debt	-	-	-	37,474,590	-	37,474,590
Total	P48,536,666	P766,826	P25,412	P42,820,919	P-	P92,149,823

December 31, 2008						
	Loans and Receivables	AFS	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousands)</i>						
Financial Assets						
Cash and cash equivalents	₱957,088	₱-	₱-	₱-	₱-	₱957,088
Trade receivables	4,763,043	-	-	-	-	4,763,043
Non-trade receivables	237,513	-	-	-	-	237,513
Loans and notes receivables	60,351	-	-	-	-	60,351
Employee receivables	31,358	-	-	-	-	31,358
Advances to employees	26,724	-	-	-	-	26,724
Long-term receivables	819,861	-	-	-	-	819,861
Concession receivable	34,695,434	-	-	-	-	34,695,434
Cash collateral on PCIR Bonds	3,519	-	-	-	-	3,519
Royalty fee chargeable to NPC	122,019	-	-	-	-	122,019
AFS - debt investments	-	674,494	-	-	-	674,494
AFS - equity investments	-	13,597	-	-	-	13,597
Range bonus forwards	-	-	614,082	-	-	614,082
Currency options	-	-	34,907	-	-	34,907
Financial Liabilities						
Accounts payable - trade	-	-	-	1,645,574	-	1,645,574
Accrued interest and guarantee fees	-	-	-	390,840	-	390,840
Accrued premium on range bonus forwards	-	-	-	175,116	-	175,116
Other current liabilities	-	-	-	8,649	-	8,649
Loan payable	-	-	-	2,000,000	-	2,000,000
Due to related parties	-	-	-	110,921	-	110,921
Royalty fee payable	-	-	-	1,688,282	-	1,688,282
Obligations to a power plant contractor	-	-	-	112,187	-	112,187
Long-term debt	-	-	-	32,229,455	-	32,229,455
Derivative liabilities	-	-	-	-	54,250	54,250
Total	₱41,716,910	₱688,091	₱648,989	₱38,361,024	₱54,250	₱81,469,264

September 30, 2008						
	Loans and Receivables	AFS	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousands)</i>						
Financial Assets						
Cash and cash equivalents	₱4,047,510	₱-	₱-	₱-	₱-	₱4,047,510
Trade receivables	5,420,055	-	-	-	-	5,420,055
Non-trade receivables	270,304	-	-	-	-	270,304
Loans and notes receivables	63,072	-	-	-	-	63,072
Employee receivables	29,634	-	-	-	-	29,634
Advances to employees	29,374	-	-	-	-	29,374
Long-term receivables	774,771	-	-	-	-	774,771
Concession receivable	35,257,842	-	-	-	-	35,257,842
Cash collateral on PCIR Bonds	3,067	-	-	-	-	3,067
Royalty fee chargeable to NPC	364,908	-	-	-	-	364,908
AFS - debt investments	-	690,094	-	-	-	690,094
AFS - equity investments	-	20,779	-	-	-	20,779
Derivative assets	-	-	45,835	-	-	45,835

(Forward)

September 30, 2008						
	Loans and Receivables	AFS	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousands)</i>						
Financial Liabilities						
Accounts payable - trade	₱-	₱-	₱-	₱1,228,126	₱-	₱1,228,126
Accrued interest and guarantee fees	-	-	-	492,616	-	492,616
Accrued premium on derivatives	-	-	-	114,117	-	114,117
Other current liabilities	-	-	-	8,234	-	8,234
Loan payable	-	-	-	84,000	-	84,000
Due to related parties	-	-	-	4,129,911	-	4,129,911
Royalty fee payable	-	-	-	1,714,004	-	1,714,004
Obligations to a power plant contractor	-	-	-	170,628	-	170,628
Long-term debt	-	-	-	29,340,112	-	29,340,112
Total	₱46,260,537	₱710,873	₱45,835	₱37,281,748	₱-	₱84,298,993

The table below demonstrates the income, expense, gains or losses of the Company's financial instruments for the nine-month period ended September 30, 2009 and 2008.

	2009		2008	
	Increase (Decrease) Effect on Profit or Loss	Increase (Decrease) Effect on Equity	Increase (Decrease) Effect on Profit or Loss	Increase (Decrease) Effect on Equity
Loans and receivables:				
Interest income on cash in bank	₱796,713	₱-	₱747,134	₱-
Interest income on cash equivalents	244,118,525	-	177,485,005	-
Interest income on trade receivables	57,877,183	-	72,128,091	-
Interest income on concession receivables	1,490,446,445	-	1,593,291,884	-
“Day 1” loss on NPC receivables	-	-	(189,790,627)	-
Equity investments - Net gain (loss) recognized in equity	-	(5,750,296)	-	1,229,943
Debt investments:				
Gain on sale of AFS investments	-	-	46,323,392	-
Net gain removed from equity	-	-	-	(46,323,392)
Net gain (loss) recognized in equity	-	(77,314,031)	-	(261,357,021)
Financial assets at FVPL:				
Fair value changes and premium on forward contracts	(175,648,625)	-	(98,884,607)	-
Unrealized gain (loss) on fair value changes on currency options	(9,505,321)	-	29,506,451	-
Financial liabilities at amortized cost:				
Interest expense on long-term loans	(1,664,591,742)	-	(1,374,018,667)	-
Interest expense on short-term loans	(124,463,798)	-	(635,191)	-
Interest expense on royalty payable	(54,003,762)	-	(169,046,214)	-
“Day 1” gain on royalty payable	168,284,986	-	-	-
	(₱66,689,396)	(83,064,327)	₱87,106,651	(₱306,450,470)

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to comply with its financial loan covenants and support its business operations.

The Company manages and makes adjustment to its capital structure as it deems necessary. To maintain or adjust its capital structure, the Company may increase the levels of capital contributions from its creditors and owners/shareholders through debt and new shares issuance, respectively.

The Company monitors capital using the debt ratio, which is long-term liabilities divided by long-term liabilities plus equity. The Company's policy is to keep the debt ratio not more than 70:30. The Company's long-term liabilities include both the current and long-term portions of obligations to a power plant contractor and long-term debt. Equity includes capital stock attributable to common and preferred shares, unrealized gains reserve and retained earnings.

Table below shows the Company's debt ratio as at September 30, 2009 and 2008 and December 31, 2008.

	September 30, 2009	December 31, 2008	September 30, 2008
Long-term liabilities	₱ 37,474,589,819	₱32,341,642,731	₱29,510,739,959
Equity	28,356,660,027	28,735,318,699	31,725,363,628
Debt ratio	56.9%	53.0%	48.2%

Derivative Financial Instruments

The Company's derivative financial instruments are accounted for as financial instruments at FVPL. The table below shows the fair value of derivative financial instruments reported as assets or liabilities as of September 30, 2009 and 2008 and December 31, 2008.

	September 30, 2009	December 31, 2008			
	Derivative Assets	Derivative Assets	Derivative Liabilities	September 30, 2008	
				Derivative Assets	Derivative Liabilities
Embedded derivatives -					
Currency options	₱25,412,438	₱34,907,195	₱-	₱30,332,273	₱-
Free standing derivatives					
Range bonus forwards	-	614,081,623	-	15,502,310	-
Currency forwards	-	-	54,250,018	-	-
Total derivatives	₱25,412,438	₱648,988,818	₱54,250,018	₱45,834,583	₱-
Presented as:					
Current		₱614,081,623	₱54,250,018	₱15,502,310	₱-
Noncurrent	₱25,412,438	34,907,195	-	30,332,273	-
Total derivatives	₱25,412,438	₱648,988,818	₱54,250,018	₱45,834,583	₱-

Freestanding Derivatives. The Company enters into derivative transactions to hedge the foreign currency exposure arising from its foreign currency denominated loan contracts, particularly the maturing Miyazawa 1 loan. The Company had positions in the following types of freestanding derivatives to protect itself against foreign currency risk arising from the changes on the exchange rate of the peso in relation to the foreign currency. As of September 30, 2009, the Company has no outstanding derivatives due to the termination of its related contracts with counterparty banks last May 28, 2009.

Foreign Currency Forward Contract. Foreign currency forward contracts are contractual agreements to buy or sell a foreign currency at an agreed rate on a future date. These are contracts that are customized and transacted with a bank or financial institution.

The Company had a total of 14 foreign currency forward contracts with various counterparty banks, five of these were only instituted during the same year 2009 and all of these had already matured last May 28, 2009. The Company's deliverable buy Dollar and sell Peso and buy yen and sell dollar forward exchange contracts had an aggregate notional amount of \$118 million and ¥4,000 million, respectively. The weighted average forward rates of these forward exchange contracts were ₱48.59 and ¥ 98.6 to US\$1. The net mark to market loss recognized in 2009 relative to the forward contracts was ₱10.6 million.

Range Bonus Forward Contract. A Range Bonus forward contract is an agreement that provides protection against unfavorable exchange rate movement by setting an agreed rate at which an entity can exchange one currency for another. At the same time, it provides that for each day during the fixing period that the spot rate is outside the predetermined range, the Company will accrue a premium based on a specified formula, which is payable at maturity.

The following table shows the relevant data with the corresponding realized gain pertaining to the two range bonus forward contracts entered into by the Company for the Miyazawa 1 loan due on June 1, 2009:

Notional Amount	JPY 5 Billion	JPY 3 Billion
Trade date	April 30, 2008	May 2, 2008
Expiry date	May 26, 2009	May 26, 2009
Delivery date	May 28, 2009	May 28, 2009
Agreed rate	110	110
Premium formula (where n = number of days when the spot rate is outside the predetermined range during the fixing period and N = fixing period)	USD47,846,890 x 13.40% x n/N	USD28,571,428.57 x 13.06% x n/N
Predetermined range	JPY96-JPY106	JPY97-JPY107
Fixing period (in days)	260	258
Net Realized mark to market loss and premium (from January 1, 2009 to May 28, 2009)	₱102,325,462	₱62,757,894

The premium paid by the Company on May 28, 2009 for the JPY5 billion and JPY3 billion range bonus forward amounted to ₱168.5 million and ₱93.4 million, respectively. As of September 30, 2008, the accrued premium for the JPY5.0 billion and JPY3.0 billion range bonus forward which were represented under the "Trade and other payables" in the unaudited interim condensed consolidated statement of financial position were ₱79.3 million and ₱34.9 million, respectively

Embedded Derivatives. The Company has financial and non-financial contracts with derivatives embedded in them. These embedded derivatives have the effect that some of the cash flows of the financial and non-financial contracts vary in a similar way to a freestanding derivative.

Currency Options. The Company has embedded currency options in its Pantabangan Refurbishment and Upgrade Project Contract with VA TECH HYDRO, GmbH Contractor. Under the PRUP Contract, the Company has the option to pay the Contractor in European Euro (Euro) or in U.S. Dollar at a strike rate of €1.4691 to \$1.00 for the original contract and €1.5549 to \$1.00 for the contract options availed during the year. The embedded currency options have a notional amount of €10.56 million. The fair value of the outstanding embedded currency option as of September 30, 2009 and 2008 amounted to \$0.54 million (₱25.4 million) and \$0.64 million (₱30.3 million). The embedded currency options will mature on various dates until December 2010 or upon full payment and completion of the related host contract.

Fair Value Changes of Derivatives

The tables below summarize the net movement in fair values of the Company's derivatives as of September 30, 2009 and 2008 and December 31, 2008.

Freestanding Derivatives

	September 30, 2009		December 31, 2008		September 30, 2008
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability	Derivative Asset
Range Bonus Forward					
Balance at beginning of year	₱614,081,623	₱-	₱-	₱-	₱-
Net changes in fair value	(78,318,622)	-	614,081,623	-	15,502,310
Settlement	(535,763,001)	-	-	-	-
Balance at end of period	₱-	₱-	614,081,623	₱-	₱15,502,310
Currency Forwards					
Balance at beginning of year	₱-	₱(54,250,018)	₱-	₱-	-
Net changes in fair value	68,344,713	(78,909,982)	-	(54,250,018)	-
Settlement	(68,344,713)	133,160,000	-	-	-
Balance at end of period	₱-	₱-	₱-	(₱54,250,018)	₱-
Total	₱-	₱-	₱614,081,623	(₱54,250,018)	₱15,502,310

Embedded Derivatives

	September 30, 2009	December 31, 2008	September 30, 2008
Derivative Assets			
Balance at beginning of year	₱34,907,195	₱-	₱-
Net changes in fair value of derivatives	(9,505,321)	35,304,331	29,506,451
Fair value of settled derivatives	-	(5,547,240)	(5,547,241)
Foreign exchange difference	10,564	5,150,104	6,373,062
Balance at end of year	₱25,412,438	₱34,907,195	₱30,332,272

The net changes in fair value of the Company's derivative during the periods ending September 30, 2009 and 2008 amounting to ₱185.2 million loss and ₱69.1 million loss respectively, were taken into "Derivatives gain (loss)" account in the consolidated statements of income, net of premium on range bonus forwards recognized during the periods ending September 30, 2009 and 2008 amounting to ₱86.8 million and ₱114.1 million respectively.

35. Acquisition of Palinpinon and Tongonan Geothermal Power Plants

Green Core Geothermal Inc. (GCGI) participated and won in PSALM auction of the Palinpinon and Tongonan Geothermal Power Plants (PTGPP) for USD220.0 million. On September 16, 2009, PSALM issued the Notice of Award declaring Green Core as the highest bidder for the sale of PTGPP and the Certificate of Effectivity of the Asset Purchase Agreement of PTGPP. The Asset Purchase Agreement requires that the submission of the Closing Deliveries for Green Core and PSALM should occur not later than 270 days from the receipt by Green Core of the Certificate of Effectivity.

36. Renewable Energy Law of 2008

On January 30, 2009, Republic Act (RA) No. 9513 (Act), “An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes,” also known as the “Renewable Energy Act of 2008”, became effective. In May 2009, the rules and regulations implementing the said Act were also promulgated. The Act aims to accelerate the exploration and development of RE resources, increase the utilization of renewable energy resources, increase the utilization of renewable energy, encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions, and establish the necessary infrastructure and mechanism to carry out mandates specified in the Act.

The Act also provides various incentives to RE developers and local manufacturers of RE equipment. These incentives include Income Tax Holiday (ITH) for the first seven years of its commercial operations, duty free importation of RE machinery, equipment and materials, special realty tax rates on equipment and machinery, Net Operating Loss Carry Over (NOLCO) during the first 3 years from the start of commercial operation, 10% corporate income tax after 7 years of ITH, accelerated depreciation, zero percent VAT tax rate, cash incentive for missionary electrification, tax exemption of carbon credits and tax credit on domestic capital equipment and services.

On August 28, 2009, the Parent Company submitted its letter of intent with the Department of Energy (DOE) to convert the Leyte (GSC No. 01), Palinpinon (GSC No. 02), Bacon-Manito (GSC No. 03), Mt. Apo (GSC No. 04) and Northern Negros (GSC No. 06) geothermal service contracts to RE contracts and paid the corresponding processing fees. On September 10, 2009, the DOE issued to the Parent Company the provisional certificates of registration covering the cited GSCs subject to the following terms and conditions:

- a. Duration – The provisional certificates of registration shall subsist until such time that the DOE Certificate of Registration is issued.

- b. Submission of documentary requirements – The Parent Company shall complete the submission of necessary documents in form and substance for the conversion of GSC Nos. 01, 02, 03, 04 and 06 within thirty (30) days from payment of the processing fee.
- c. Period and result of negotiation – The period of evaluation and negotiation for the full conversion of GSC Nos. 01, 02, 03, 04 and 06 shall not exceed 120 days from the date of payment of processing fee. In the event that the negotiation fails, the provisional certificate of registration shall be revoked and the operations of GSC Nos. 01, 02, 03, 04 and 06 shall automatically revert to the provisions of PD 1442 or the Geothermal Resources Exploration and Development Act of 1978.
- d. DOE Certificate of registration – The certificates of registration shall be issued upon full conversion of GSC Nos. 01, 02, 03, 04 and 06 to an RE Contract.

With the receipt of the provisional certificates of registration as geothermal energy RE Developer, the Parent Company wrote down ₱2,959.2 million worth of deferred tax assets net in view of the change in corporate tax rate from 30% to 10%, one of the fiscal incentives of the RE Law.

Moreover, the decrease in Provision for income tax – current and Income tax payable was also due to the 10% corporate tax rate implemented by the Parent Company retroactive to the effective date of the RE Law.

The Company is still currently negotiating the terms of the RE operating contracts for geothermal energy with the DOE.

37. Wind Energy Service Contract

On September 14, 2009, the Parent Company entered into Wind Energy service contract with the DOE granting the company the right to explore and develop the Burgos wind project for a period of 25 years. The exploration period under the service contract shall be 2 years extendible for another 1 year if the Company has not been in default in its exploration or work commitments and has provided a work program for the extension period upon confirmation by the DOE. The service contract provide that, among other privileges provided by the RE Law, all materials, equipment, plants and other installations erected or placed on the contract area shall remain the property of the Company throughout the term of the contract and after its termination. The contract also provides that upon submission of declaration of commerciality as confirmed by the DOE, the service contract shall remain in force for the balance of a period of 25 years from effective date for the development/commercial stage and the DOE shall approve the extension for another 25 years under the same terms and conditions provided the Company is not in default of any material obligations under the contract and has submitted a written notice to the DOE for the extension of the contract not later than one (1) year prior to the expiration of the 25-year period.

38. Events after the Balance Sheet Date

Rolled over of short-term loan

On October 2, 2009, the Parent Company rolled over for 88 days at 7.25% its ₱2.0 billion short-term loan with Land Bank of the Philippines.

Waivers and temporary amendment of IFC Loan Agreement

As of September 30, 2009, the IFC has approved the Parent Company's requests for a waivers and temporary amendments to the Loan Agreement which prohibits EDC from issuing any guarantees and for EDC to maintain at all times on an Unconsolidated Basis, a Financial Debt to EBITDA Ratio of not more than 3.6, such temporary waiver to be effective for the period from September 30, 2009 to December 31, 2010.

The temporary waivers and amendments to the Loan Agreement are granted subject to the following conditions:

1. Parent Company's issuance of a guarantee to the lenders of FG Hydro Loan for up to USD72 million shall cover only:
 - a.) The punctual and complete payment when due and payable of scheduled payments under the FG Hydro Loan and specifically exclude coverage of all payments under the FG Hydro Loan due upon prepayment
 - b.) The FG Hydro Loan will have a tenor of 10 years with a 2-year grace period for principal repayments and the repayments of principal shall occur in equal semi-annual installments and payments of interest shall be made semi-annually.
2. The Financial Debt to EBITDA ratio was changed to not more than 6.5 effective September 30, 2009 and until the expiration of the Temporary Waiver Period; and the definition Spread under the Loan Agreement was changed to three point thirty-five percent (3.35%) per annum.
3. A waiver fee of twenty thousand Dollars (\$20,000), payable no longer than November 9, 2009. Failure to pay the waiver processing fee for a period of thirty (30) days after the date on which IFC notified the Borrower of such failure, shall constitute an event of default under the Loan Agreement.

Annex II

Energy Development (EDC) Corporation and Subsidiaries
As of September 30, 2009
(With comparative figures for September 30, 2008)
In Million Pesos

Aging of Accounts Receivable

	Amount
Trade Receivables	
Current	2,980.6
More than 90 days past due	-
More than 120 days past due	297.9
Subtotal	3,278.5
Other Receivables	187.3
Total Receivables	3,465.8
Allowance for Doubtful Accounts	(12.7)
Trade and Other Receivables – Net	3,453.1

Breakdown of Liabilities

	2009	2008
A. Current Liabilities		
Loan Payable	2,000.0	84.0
Accounts Payable	2,020.7	2,850.3
Accrued Interest and Other Payables	909.8	508.3
Income Tax Payable	-	171.4
Due to Related Parties	170.9	4,129.9
Total	5,101.4	7,743.9
B. Noncurrent Liabilities		
Royalty Fee Payable		
Current	209.3	1,714.0
Noncurrent	607.9	-
Obligations to a Power Plant Contractor		
Current	-	170.6
Noncurrent	-	-
Long-term Debt		
Current	14,738.4	7,615.2
Noncurrent	22,736.2	21,724.9
Retirement Benefit Obligation and Other Noncurrent Liabilities	1,408.9	1,320.4
Total Liabilities	44,802.1	40,289.0

Certified true and Correct


REGINA PIA B. GO
 Chief Financial Officer/Treasurer


AGNES C. DE JESUS
 Senior Vice President