



e n e r g y

DEVELOPMENT CORPORATION



INVESTORS' / ANALYSTS' BRIEFING
GZV Hall, Bldg. 5, Ft. Bonifacio, Taguig City
September 11, 2009



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PRESENTATION OUTLINE

REVIEW OF IFRIC 12

1H 2009 FINANCIALS

GROWTH & OTHER INITIATIVES

QUESTION & ANSWER



IFRIC 12 WAS ISSUED TO ADDRESS THE PROPER ACCOUNTING BY PRIVATE SECTOR OPERATORS INVOLVED IN THE PROVISION OF PUBLIC SECTOR INFRASTRUCTURE ASSETS AND SERVICES

FS ACCOUNT		Pre-IFRIC 12	IFRIC 12
Steam and Power Sales to NPC		100% as Revenues in P&L	Recorded in P&L partly as Revenues and partly credited to Concession Receivable
Power Sales (NNGP only) to electric cooperative or private utility		100% as Revenues in P&L	100% as Revenues in P&L
Capital Expenditures on Steamfield and Power Plant		Capitalized	Expensed
Power Plant/Steamfield Assets		Fixed Asset	Financial or Intangible Asset
Construction Revenue/Costs			Recognized in P&L
Location	Operations	Contracts covered by IFRIC 12	Treatment under IFRIC 12
Unified Leyte and Mt. Apo	Steamfield and Power Plant	GSC with DOE, PPA with NPC	Financial Asset
Bacman	Steamfield	GSC with DOE, SSA with NPC	Financial Asset
Palinpinon and Tongonan	Steamfield	GSC with DOE, SSA with NPC	To become Intangible Assets with EDC's acquisition of power plants
Northern Negros	Steamfield and Power Plant	GSC with DOE, ESA with cooperative	Intangible Asset



COMPLIANCE WITH IFRIC 12 ACCOUNTING STANDARD REDUCED REPORTED REVENUES AND EBITDA; CASH OPERATING EXPENSES INCREASED WITH NO IMPACT ON TOTAL CASH FLOW

SUMMARY OF FINANCIAL RESULTS (Amounts in PHP Million)	Pre-IFRIC		IFRIC 12	
	Jun-09	Jun-08	Jun-09	Jun-08
Revenues				
Revenue from sale of electricity	8,568	7,931	6,840	6,203
Revenue from sale of steam	2,315	2,469	2,008	2,043
Revenue from drilling services	400	344	400	344
Interest income on service concession	-	-	1,011	1,079
Construction revenue	-	-	449	-
Total Revenues	11,283	10,744	10,708	9,669
Cash Operating Expenses				
Operations and maintenance	2,603	2,193	2,603	2,193
General and administrative	1,556	(26)	1,556	(26)
Purchased services and utilities	781	649	781	649
Expensed capex	-	-	921	191
Construction costs	-	-	387	-
Total Cash Operating Expenses	4,940	2,816	6,248	3,007
Earnings Before Interest, Taxes, Depreciation, and Amortization	6,343	7,928	4,460	6,662
Debt-to-Rolling EBITDA	2.32x	1.93x	3.22x	2.34x
Net Debt-to-Rolling EBITDA	2.10x	1.80x	2.92x	2.17x

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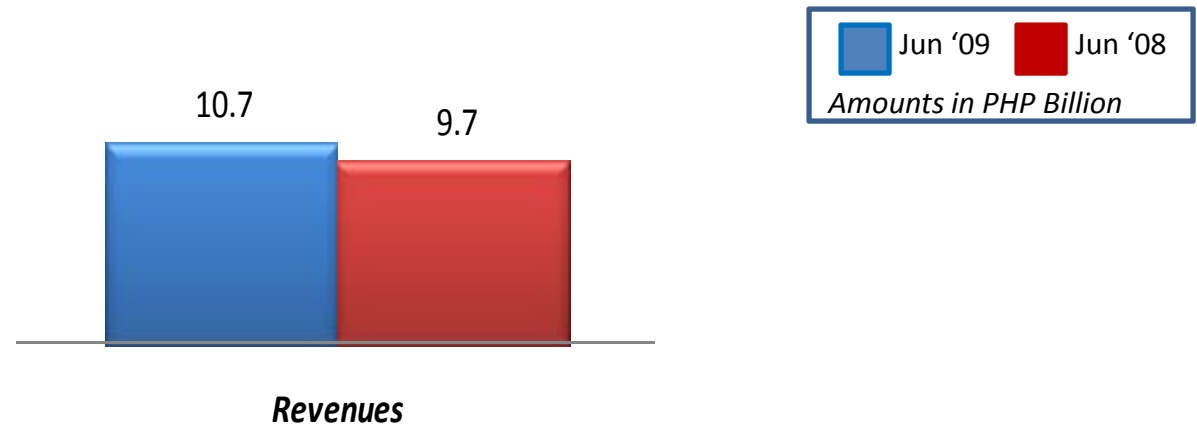
CONSOLIDATED NET INCOME INCREASED BY 3% MAINLY DUE TO FOREX GAINS ON LEGACY LOANS WHILE RECURRING NET INCOME DECREASED BY 28% DUE TO AN CAPITAL EXPENDITURES (EXPENSED UNDER IFRIC 12) FOR THE LEYTE PROJECT

INCOME STATEMENT (Amounts in PHP Million except for the ratios)	Jun-09	Jun-08	DIFFERENCE	
Revenues	10,708	9,669	1,039	+11%
Operating Expenses	6,567	3,324	3,243	+98%
EBITDA	4,460	6,662	(2,202)	-33%
Net Interest Expense	837	1,119	(282)	-25%
Foreign Exchange Gain (Losses)	1,146	(3,943)	5,089	-129%
Other Income (Expenses)	(314)	2,402	(2,716)	-113%
Provision for Current and Deferred Income Taxes	1,451	1,080	371	+34%
Net Income	2,685	2,606	79	+3%
Net Income Attributable to Equity Holders of the Parent	2,594	2,489	105	+4%
Recurring Net Income	2,568	3,550	(982)	-28%
Financial Ratios:				
Current Ratio	0.58x*	0.85x		
Debt-to-Equity Ratio	1.05x	0.89x		
Net Debt-to-Equity Ratio	0.95x	0.82x		
Debt-to-Rolling EBITDA Ratio	3.22x	2.34x		
Net Debt-to-Rolling EBITDA Ratio	2.92x	2.17x		

* Inclusive of Miyazawa II loan.



REVENUES INCREASED BY 11% DUE TO HIGHER SELLING PRICES



Increase in revenues from higher electricity and steam selling prices, by approximately PHP0.2696/KWh and PHP0.1088/kWh, respectively, due to inflation adjustment

0.6

Recognition of construction revenues from the on-going development work in NNGP's buffer zone (PHP425.3 M) and Tanawon project (PHP23.7 M) with none in 2008

0.4

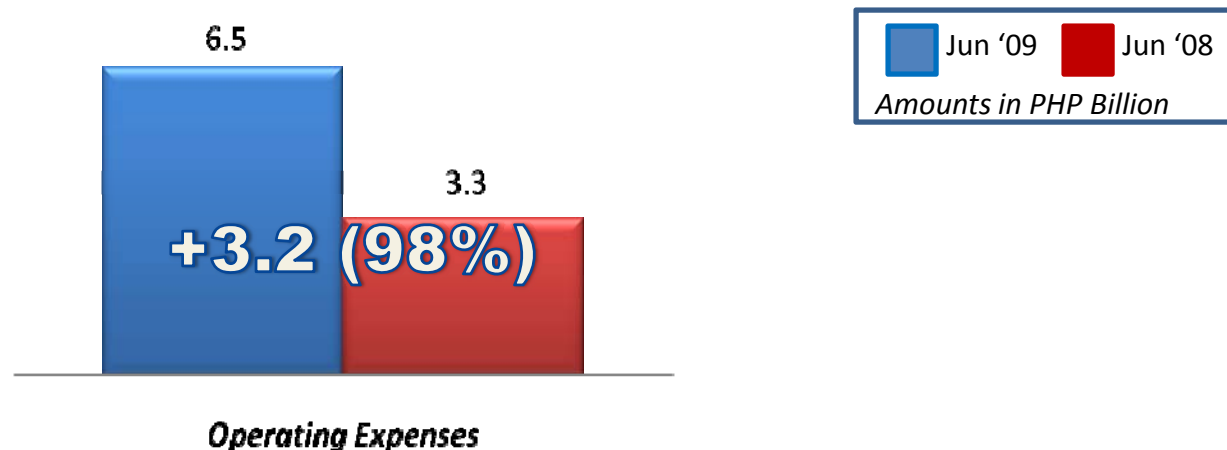
Increase in Revenues

1.0





OPERATING EXPENSES INCREASED BY 98% DUE TO PROGRAM EXPENSES FOR THE LEYTE STEAM AUGMENTATION AND ONE TIME ADJUSTMENTS IN 2008



Lower 2008 expenses due to:

- One-time reduction in allowance for doubtful accounts mainly resulting from arbitration award 1.1
- Reversal of local business tax accrual 0.2

Increase in program expenses for the Leyte steam augmentation project (PHP659.5 M), acquisition of turbine rotor blades for the Leyte Mahanagdong power plant (PHP297M), and increase in drilling rigs rehabilitation costs (PHP92.7 M) 1.1

Increase in business expense, consultancy services, provision for doubtful accounts, and provision for impairment of materials & supplies 0.4

Recognition of construction costs for the development works in NNGP's buffer zone (PHP366.7 M) and Tanawon project (PHP20.4 M) with none for 2008 0.4

Increase in Operating Expenses 3.2





OTHER INCOME DECREASED BY 113% DUE TO ONE TIME RECOGNITION OF ARBITRAL AWARD IN 2008

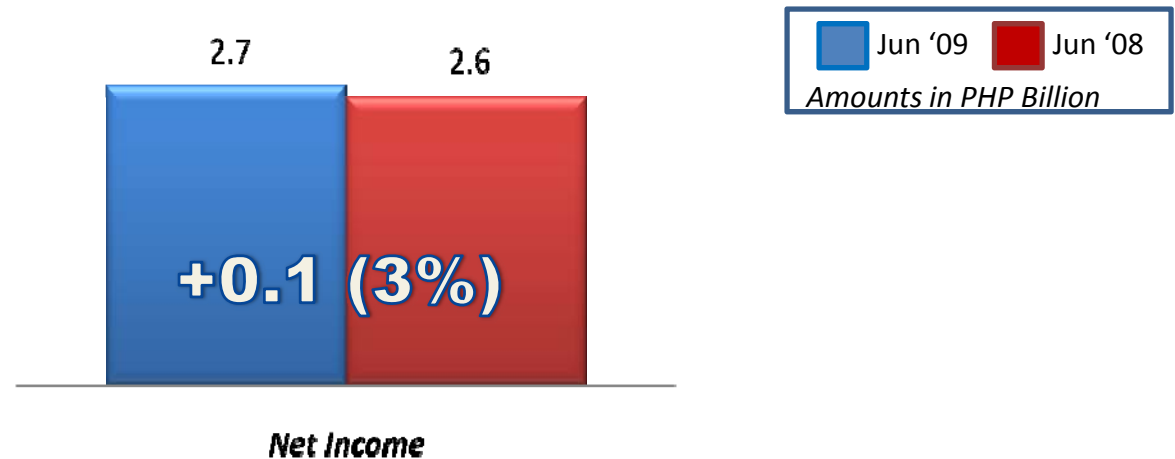


Other Income (Expenses) w/o Forex

• One time recognition of Other Income in March 2008 from arbitration award	(2.1)
• Lower Other Income in 2009 from the inventory materials turned over by BOT contractor recognized based on appraised value	(0.2)
• Higher derivative loss mainly brought about by the realized loss on forward currency contracts with Calyon for Japanese Yen and various banks for US dollar currency	(0.2)
• Prior years' real property tax on power plants in Leyte paid in 2009 (PHP136 million) coupled with the write-off of unproductive well in Mindanao (PHP71 million)	(0.2)
Decrease in Other Income	(2.7)



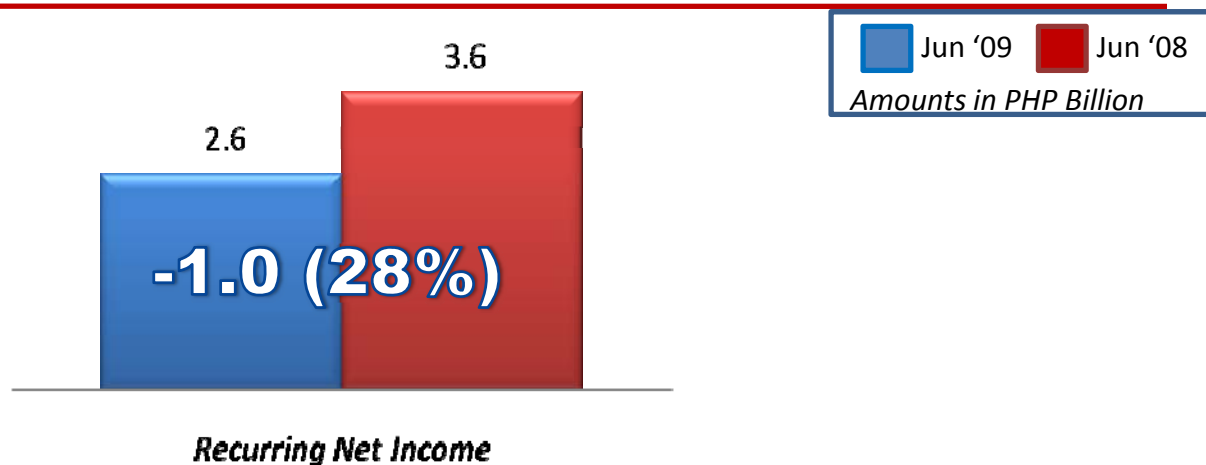
CONSOLIDATED NET INCOME INCREASED BY 3% DUE TO UNREALIZED FOREX GAINS



PHP1.2 B FX gains recognized in 2009 vs. PHP3.9 B FX losses in 2008 due to the depreciation of JPY against the US\$	5.1
Decrease in EBITDA due to increase in operating expenses (PHP3.2 B), partly offset by the increase in revenues (PHP1.0B)	(2.2)
One time transaction reported in 2008 as a result of the favorable arbitral award	(2.1)
Increase in derivative loss and miscellaneous expense	(0.3)
Increase in income tax	(0.4)
Increase Net Income	0.1



RECURRING NET INCOME DECREASED BY 28% DUE TO HIGHER OPERATING EXPENSES



Decrease in EBITDA due to increase in operating expenses (PHP3.2 B), partly offset by the increase in revenues (PHP1.0 B)	(2.2)
PHP0.4 B realized FX gain in 2009 vs. PHP0.1 B realized FX loss in 2008	0.5
Decrease in net interest expense	0.1
Decrease in provision for income tax	0.6
Decrease in Recurring Net Income	(1.0)



CURRENT RATIO DECREASED AS THE MIYAZAWA II LOAN WAS RECLASSIFIED AS A SHORT-TERM DEBT; OTHER DEBT RATIOS DETERIORATED ON ACCOUNT OF LOWER EQUITY AND EBITDA



Decrease is mainly due to:

- higher current liabilities due to the reclassification of Miyazawa II from long-term to short-term debt net of Miyazawa I settlement and
- lower current assets brought about by the settlement of Miyazawa I and amortization of other long-term loans despite the proceeds from IFC loan, arbitral award and sale of FB properties

Increase is mainly due to:

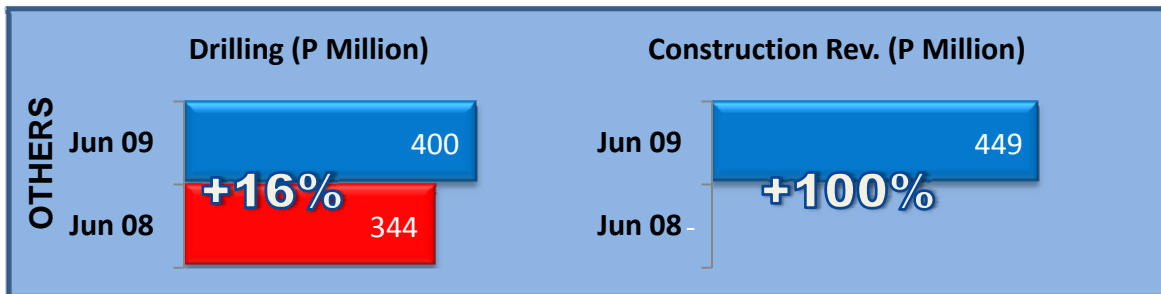
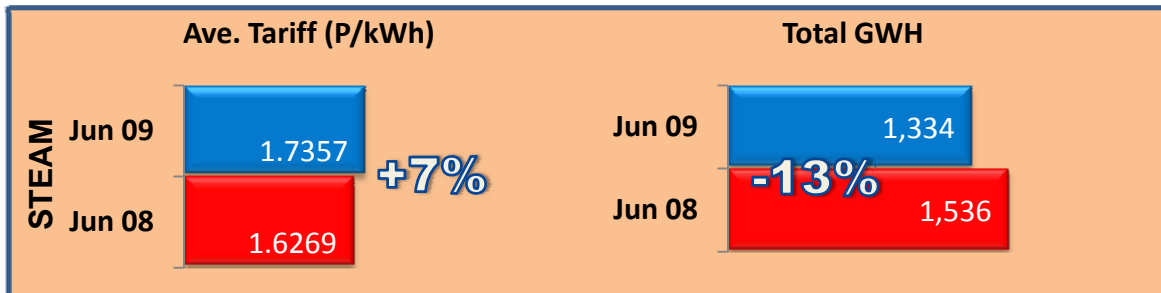
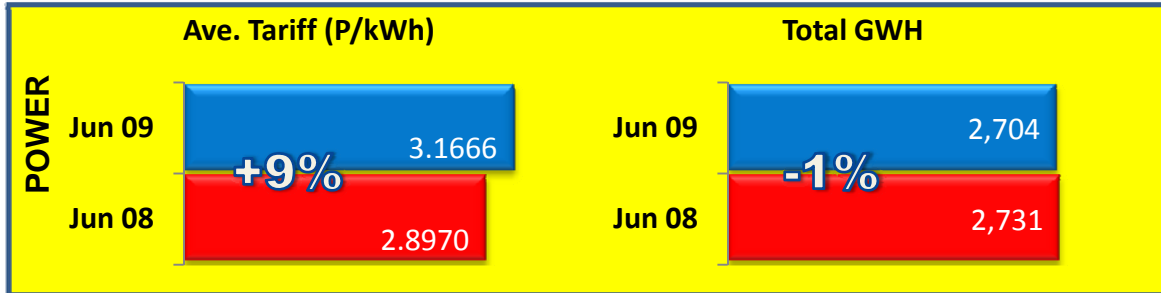
- higher debt with the availment of IFC and short-term loans amounting to PHP7.1 billion partly offset by the PHP6.3 billion settlement of Miyazawa I loan and
- lower equity brought by the PHP2.9 billion dividends declared partly offset by the PHP1.4 billion net income for 2H 2008 and 1H 2009.

Increase is mainly due to higher debt and lower EBITDA brought about by higher operating expenses.

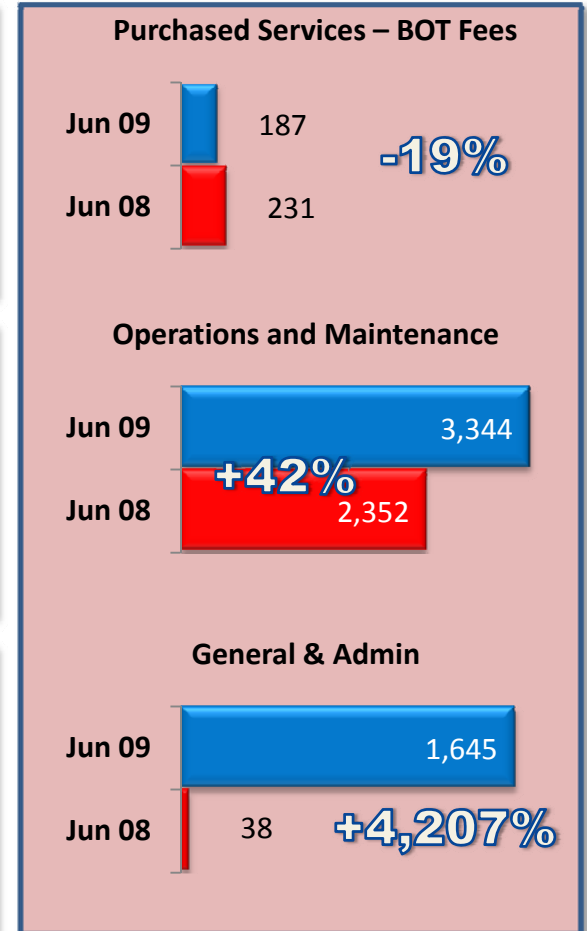


RISE IN ELECTRICITY AND STEAM TARRIFF DROVE GROWTH IN COMPANY REVENUES DUE TO FOREX AND INFLATION ADJUSTMENTS

REVENUES

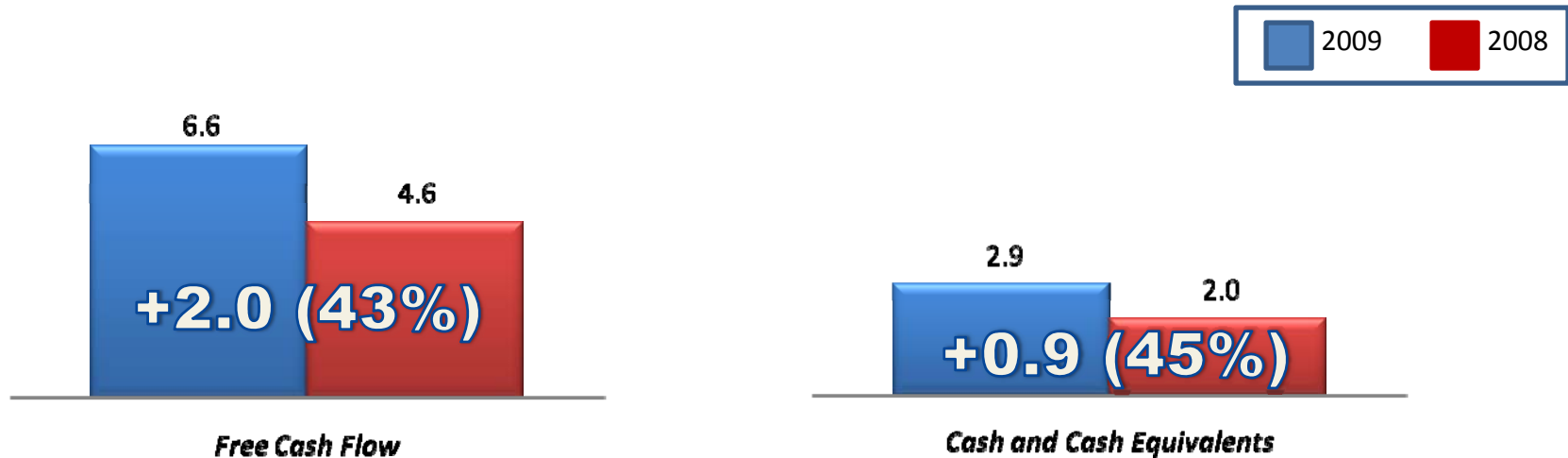


MAJOR EXPENSES (P Million)





CASH FLOW INCREASED WITH THE SALE OF THE FORT BONIFACIO LAND, AVAILMENT OF IFC LOAN AND OTHER SHORT-TERM LOANS



Increase in cash flow from operating activities mainly due to collection for the first three tranches of the favorable arbitral award	1.7
Proceeds from sale of FB properties	1.1
Development costs in Tanawon and No. Negros	(0.5)
Acquisition of equipment	(0.3)
Increase in Free Cash Flow	2.0

2H '08 and 1H '09 Movements in Cash & Cash Equivalents:

Free Cash Flow	6.6
IFC and short-tem loans availed	7.1
Purchase of treasury stock, BOT payments et. al.	(1.2)
Payment of cash dividends	(2.9)
Settlement of Miya 1 loan and regular principal payments	(8.8)
Increase in Cash and Cash Equivalents	0.9



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THE COMPANY REMAINS FOCUSED ON THE FOLLOWING MAJOR PLATFORMS FOR ITS FUTURE GROWTH

PSALM Acquisition

- Participate in the privatization of 455MW NPC geothermal power plants.

Organic growth

- Assumed operation of the 106 MW Mindanao power plants last June 2009.
- Increase steam production in Leyte from 4,211 GWH to 4,370 GWH by 2010.
- Develop new power plants (up to 300 MW) to capitalize on the DOE projected demand growth and supply shortages.

Diversification into other RE sources

- Upgrade the Pantabangan-Masiway Hydro Plant by 18MW.
- Develop the 86 MW Burgos Wind Farm.

Overseas expansion

- Develop geothermal resources in Indonesia
- Render Contract Drilling Services

UPDATES

- ✓ EDC submitted the highest complying financial bid for Palinpinon & Tongonan geothermal power plants. (Bacman's auction is put on hold).

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- EDC looking at various opportunities including conduct a preliminary survey of geothermal sites
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LAST SEPTEMBER 2, PSALM BIDDED OUT THE 192.5 MW PALINPINON AND 112.5 MW TONGONAN PLANTS, WHICH ARE LOCATED WITHIN THE EDC OPERATED STEAMFIELDS

PALINPINON



Location	Negros Oriental
Age	PAL 1 - 26 yrs (1983); PAL 2 - 16 yrs (1993-1995)
Installed Capacity	192.5 MW (3 x 37.5MW + 4 X 20MW)
Dependable Capacity	183 MW
Equipment	Fuji
Steamfield Capacity	207 MW

TONGONAN



Location	Leyte
Age	26 yrs (1983);
Installed Capacity	112.5 MW (3 x 37.5MW)
Dependable Capacity	90 MW
Equipment	MHI
Steamfield Capacity	95 MW

UPON TURNOVER DATE, THE GEOTHERMAL FACILITIES WILL INCREASE EDC'S ATTRIBUTABLE CAPACITY BY 135% TO 1,027 MW (POWERPLANT OWNERSHIP).



EDC SUBMITTED THE HIGHEST BID FOR PALINPINON AND TONGONAN PLANTS WITH A TOTAL BID PRICE OF US\$ 220 MILLION

	EDC (Green Core Geothermal)
Purchase Price	206
Rental, Option and Purchase Order	14
Total Bid Price (US\$Million)	220
Installed Capacity (MW)	305
Dependable Capacity (MW)	274
US\$ Million/Installed MW	0.72
US\$ Million/Dependable MW	0.80

ON CLOSING DATE, EDC IS DUE TO PAY PSALM AROUND US\$96 MILLION COVERING 40% OF THE PURCHASE PRICE AS WELL AS THE RENTAL, OPTION AND PURCHASE ORDERS



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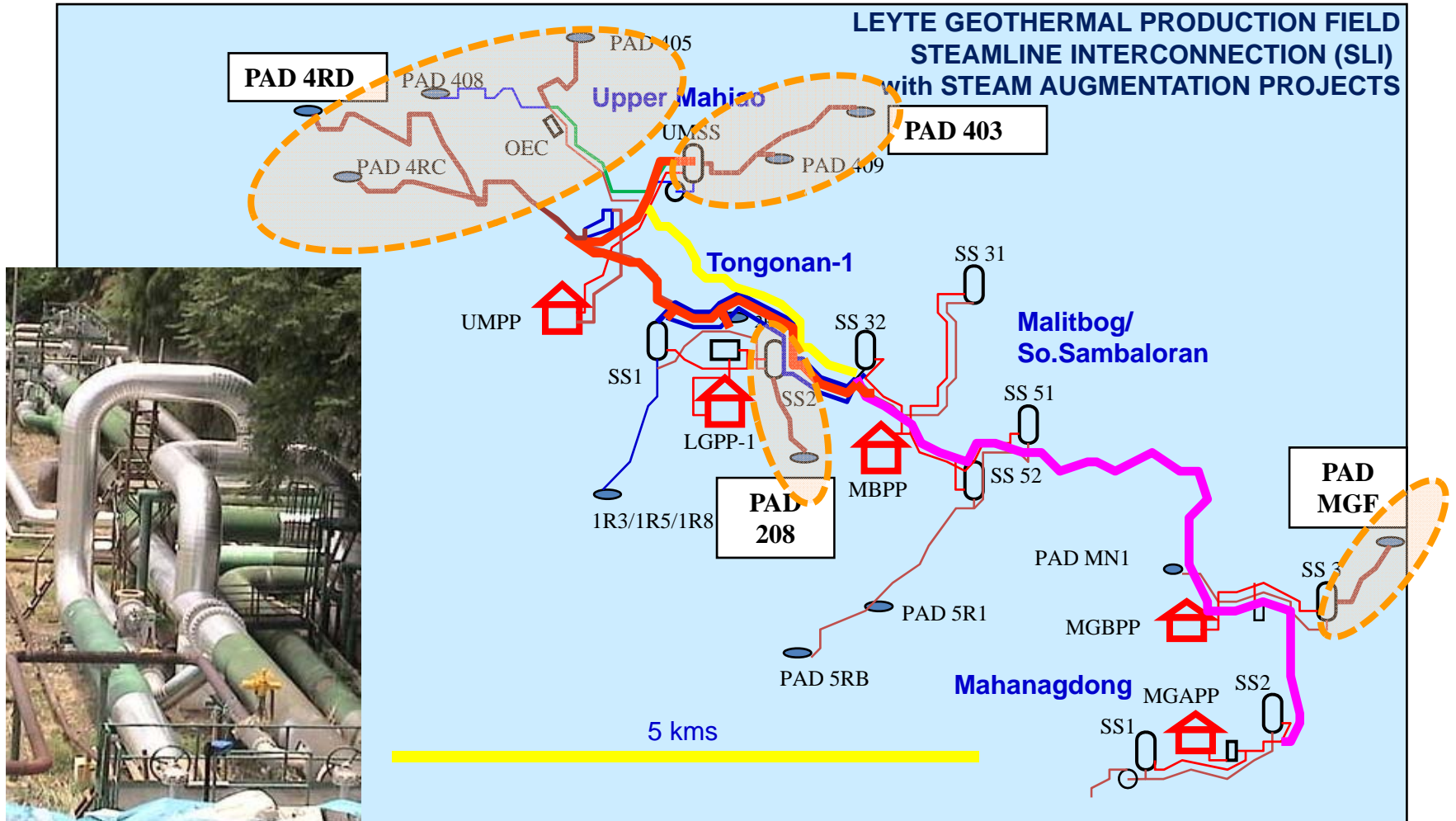
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THE LEYTE STEAM AUGMENTATION PROGRAM COMPLEMENTS AN EXISTING 18 KM STEAM HIGHWAY; TOGETHER, THEY FUNCTION AS ONE INTEGRATED NETWORK EQUIPPED WITH OPERATIONAL AND PRODUCTION FLEXIBILITY



EDC EXPECTS TO GAIN Php 0.5 B IN ADDITIONAL REVENUES WITH THE STEAM AUGMENTATION PROGRAM AS THE LEYTE POWER PLANTS DELIVER AN ADDITIONAL 159 GWH ANNUALLY

Investment Requirements, in millions Php

Activity	2008	2009	2010	Total
Drilling	226.3	728.1	1,044.5	1,998.9
FCRS	446.6	707.0	0.0	1,153.6
Total	672.9	1,435.1	1,044.0	3,152.5

The Php 3.1 billion expenditure program consists of the ff:

- constructing surface infrastructure, i.e., roads, well pads
- installation of pipelines
- drilling of new wells in; and,
- work over drilling of existing wells

The two-fold purpose of the Leyte Steam Augmentation Program is :

- address the declining steam supply for Tongonan I, and;
- raise the capability of Unified Leyte Plants for EDC to successfully nominate energy sales amounting to 4,211, 4,288 and 4,370 gwh in 2008, 2009 and 2010, respectively



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PAHEP's REHABILITATION AND UPRATING PROJECT IS 64% COMPLETE AS OF END OF JULY; UNIT 1's REFURBISHMENT IS UNDERWAY

- Overall project progress is 64% complete: Engineering 80%, Procurement 89%, Manufacture 70%, Site Work 8%. Project is on schedule for December 2009 completion.
- Site activities are ongoing, with Unit 1's outage commencing on 7 July 2009. The common system (plant) outage started on 15 August 2009.

Shipment activities continue even as most of Unit 1's equipment are already at site; major components for delivery include the generator rotor poles and generator shaft.



LV panels



Turbine shaft



Turbine runner



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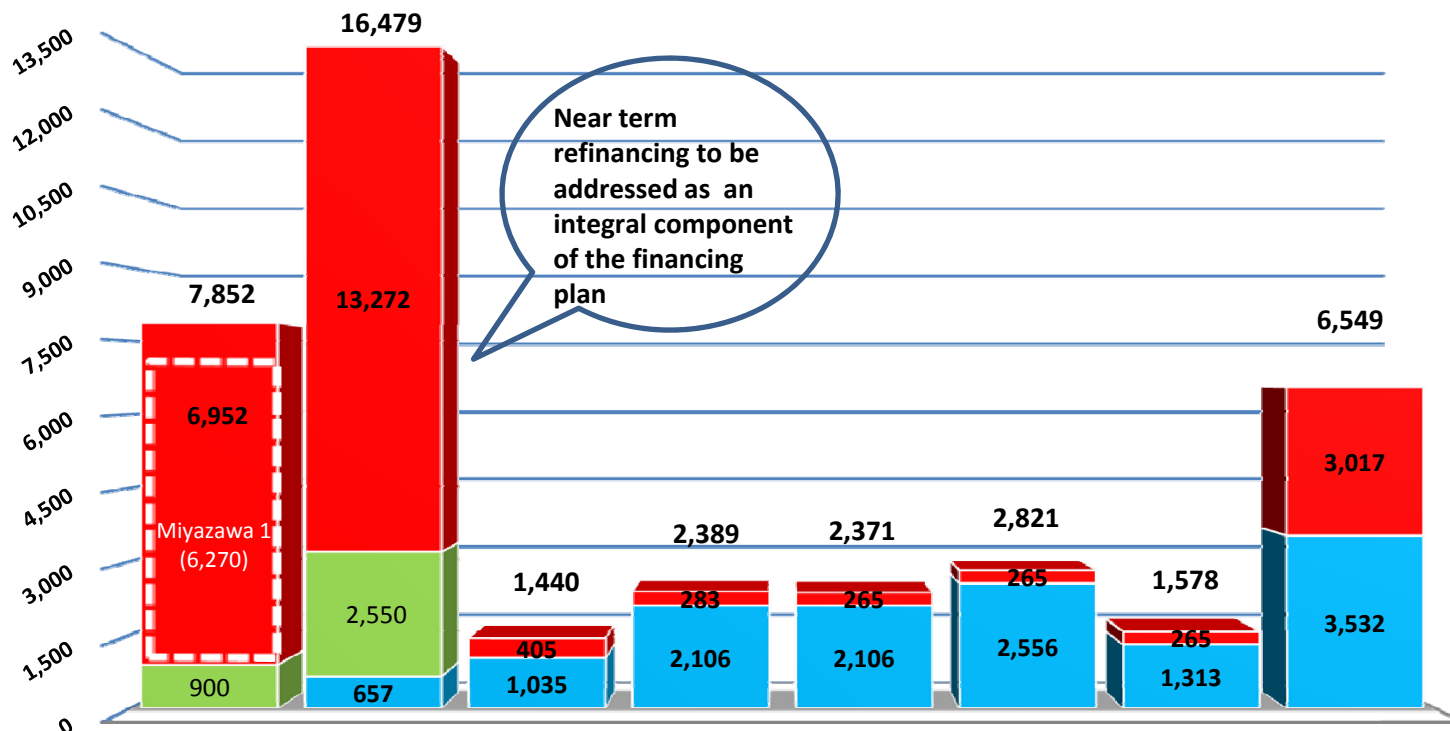
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WE HAVE JUST PAID THE JPY 12 BILLION MIYAZAWA I LOAN MATURITY; FUND RAISING EFFORTS ARE NOW FOCUSED AT THE UPCOMING JPY 22 BILLION MIYAZAWA II LOAN MATURITY

Debt-Servicing Schedule

(in million Pesos)

June 30, 2009 forex rates:
P48.13:\$1 Y96.006:\$1



	2009	2010	2011	2012	2013	2014	2015	After 2015
Peso Loan	0%	4%	72%	88%	89%	91%	83%	54%
US Loan	11%	15%	0%	0%	0%	0%	0%	0%
Yen Loan	89%	81%	28%	12%	11%	9%	17%	46%

■ Peso Loan ■ US\$ Loans ■ Yen Loans



EDC's FINANCIAL MANAGEMENT POLICIES ARE GEARED TO SUPPORT DISCIPLINED GROWTH

Currency Risk Management

Enter into hedging arrangements

- For upcoming principal
- For all other programmed expenditures

Preference for Php and US\$ obligation

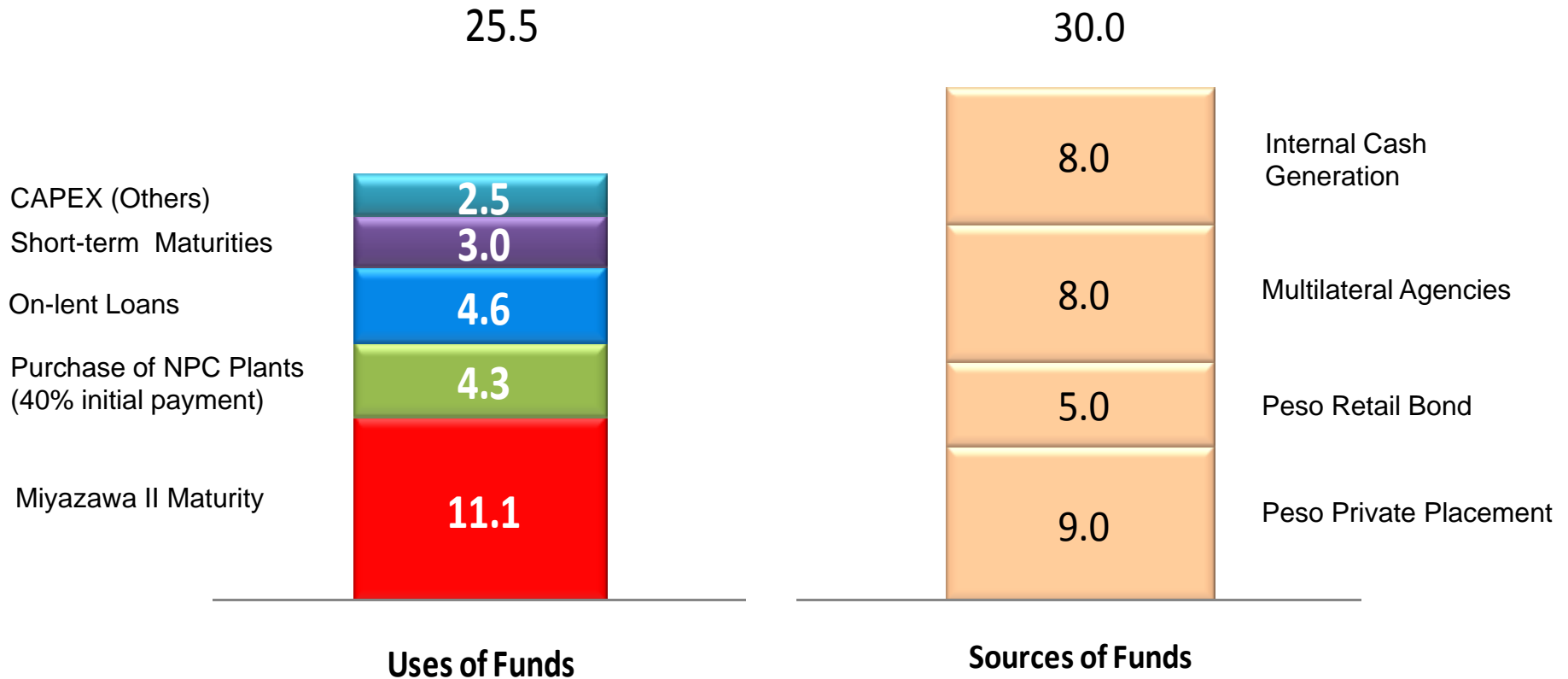
- Access as much Php debt as possible, i.e., bond, private placement, bilateral loans
- Be inclined to incur foreign currency exposure only in US\$

Automatic FX recovery mechanism

- Sales agreements covering new projects partially/fully hedged

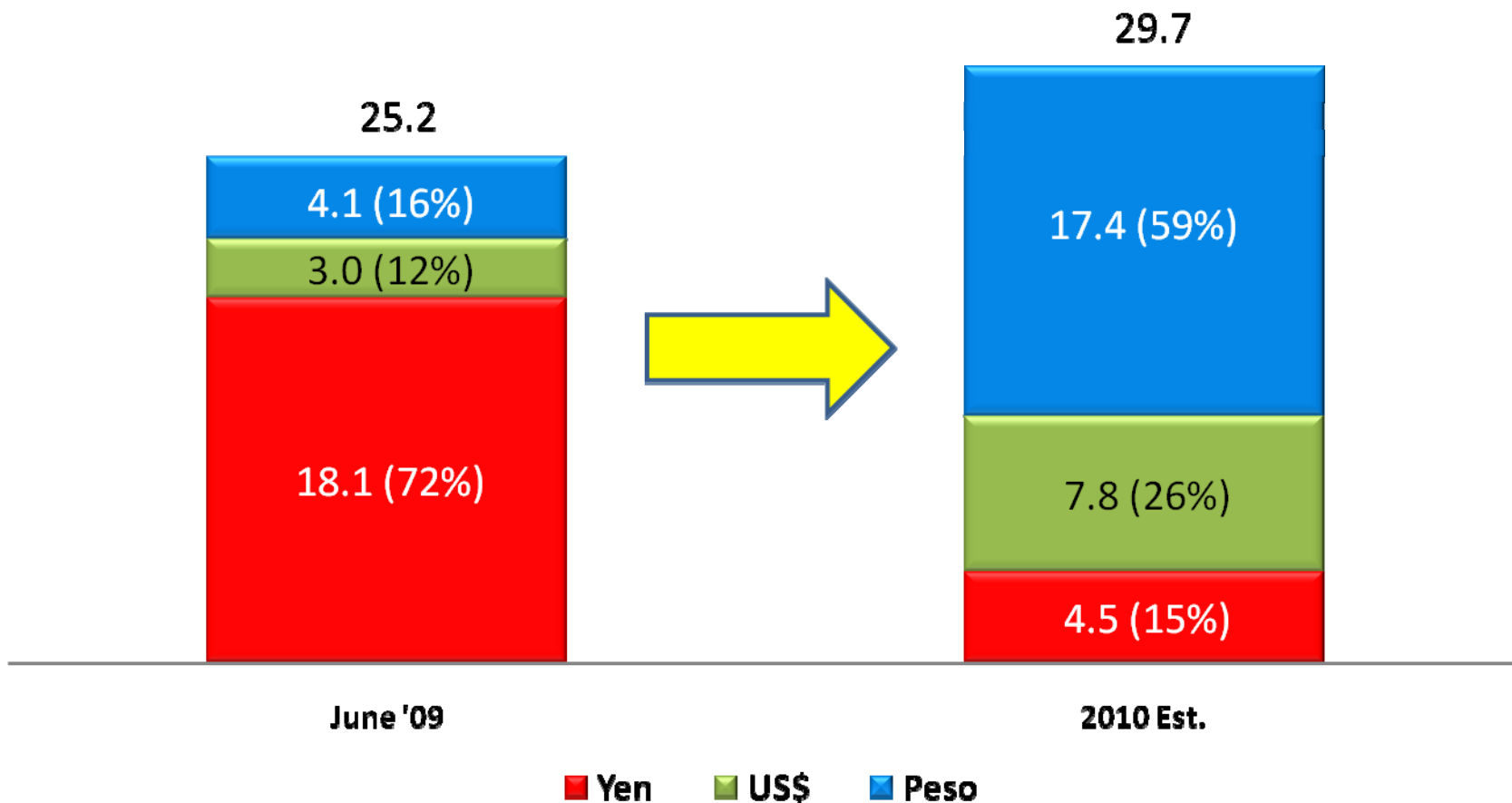
EDC TO REFINANCE NEAR TERM MATURITIES AND TO FUND GROWTH PROJECTS WITH A COMBINATION OF INTERNALLY GENERATED CASH AND NEW DEBT

Financing Plan (in Billion Pesos)



EDC TARGETS TO SIGNIFICANTLY INCREASE THE SHARE OF Php DENOMINATED DEBT TO 59 % BY END 2010 FROM THE 16 % AND LESS THAN 1 %, IN JUNE 2009 AND DEC. 2008, RESPECTIVELY

Loans Profile – EDC Parent
(in billion Pesos)





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END OF PRESENTATION

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