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May 12, 2011

**JANET A. ENCARNACION**  
HEAD, Disclosures Department  
The Philippine Stock Exchange, Inc.  
Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Dear Ms. Encarnacion:

In compliance with the disclosure requirements of the PSE, we submit the attached Energy Development Corporation (Consolidated) Quarterly Report for the period ended March 31, 2011 (SEC Form 17-Q).

Very truly yours,

A handwritten signature in black ink, appearing to read "Erudito S. Recio", is written over a vertical line that extends downwards from the signature area.

**Erudito S. Recio**  
Investor Relations Manager &  
Corporate Information Officer

SEC Number 66381  
File Number \_\_\_\_\_

**ENERGY DEVELOPMENT CORPORATION**  
(Company's full Name)

**Merritt Road, Fort Bonifacio, Taguig City**  
(Company's Address)

**(632) 667-7332**  
(Telephone Number)

**March 31, 2011**  
(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 **March 31, 2011**
2. Commission identification number: **66381**
3. BIR Tax Identification No. **000-169-125-000**
4. Exact name of issuer as specified in its charter: **ENERGY DEVELOPMENT CORPORATION**
5. **PHILIPPINES**  
Province, country or other jurisdiction of  
incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code
7. **Merritt Road, Fort Bonifacio, Taguig City** **12010**  
Address of issuer's principal office Postal Code
8. **(632) 667-7332**  
Issuer's telephone number, including area code:
9. **Energy Development (EDC) Corporation**  
Former name, former address and former fiscal year, if changed since last report:

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 March 31, 2011</u>
<b>Common Stock, P1.00 par value</b>	<b>18,750,000,000</b>
<b>Preferred Stock, P0.01 par value</b>	<b>9,375,000,000</b>

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

Yes [] No []

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

**Philippine Stock Exchange**

**Common 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 consolidated financial statements for the quarter ended March 31, 2011 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 consolidated financial performance for the quarter ended March 31, 2011. 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 power 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 consolidated 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 Corporation and its subsidiaries.*

*Additional information about the Company can be found on our corporate website [www.energy.com.ph](http://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 March 31, 2011, the Company operates twelve geothermal steam fields 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 Company-owned geothermal power plants to NPC and privately-owned distribution utilities (DUs), pursuant to Power Purchase Agreements (PPAs) and Electricity Sales Agreements (ESAs), respectively.

Starting September 3, 2010, the Company ceased to bill NPC after Bacman Geothermal, Inc.'s (BGI) successful acquisition of the plants from NPC.

Through its 60% equity interest in FG Hydro, the Company indirectly operates the 120 MW Pantabangan and 12 MW Masiway Hydroelectric Power Plants, located in Pantabangan, Nueva Ecija Province, Central Luzon. The power plants supply electricity into the Luzon grid to service the consumption of its customers which include the Wholesale Electricity Spot Market (WESM) and distribution utilities covered by bilateral contract quantities (BCQ).

The Company has 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, 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.

### **Percentage of sales or revenues contributed by foreign sales**

The Company generated ₱154.6 million from the contract it entered into with Lihir Gold Limited (LGL) in Papua, New Guinea. This represents 2.6% of the Company's ₱5,952.8 million gross revenues for the first quarter of 2011. The Company's contract with LGL was extended up to June 30, 2011.

### **Distribution methods of products or services**

About 65.8% of the 1,793.2 GWh sales volume from its electricity business was sold to NPC. Electricity production of about 151.0 GWh, i.e., pertaining to electricity generated by the hydro power plants of FG Hydro, was sold to the WESM and its distribution utility clients comprised of electric cooperatives in the province of Nueva Ecija while 462.3 GWh generated by the geothermal power plants in Tongonan I, Palinpinon and No. Negros was sold to electric cooperatives and industrial customers in the Visayas region. The Company's total sales volume comprised of 1,642.2 GWh coming from electricity production in Leyte, Mindanao, No. Negros, Tongonan I and Palinpinon geothermal power plants; and 151.0 GWh sold 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 No. Negros, 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 generated 151.0 GWh of electricity for the first quarter of 2011, of which 37% or 55.8 GWh, was consumed by its contracted customers and 63% or 95.2 GWh was sold to the Wholesale Electricity Spot Market (WESM).

### **Competition**

The Company competes with other energy sources used for the production of power, particularly coal, gas and oil, substantially all of which is imported.

Under the Company's Geothermal Renewable Energy Service Contracts (GRES-Cs), it has long-term exclusive rights to explore, develop, and utilize geothermal steam resources in specific areas. Substantially all of the Company's power capacity is sold through various offtake agreements, such as PPAs for the supply of electricity to NPC and ESAs with DUs. Since most these agreements provide for take-or-pay quantities, the Company is not subject to direct competition.

On October 23, 2009, Green Core successfully completed all conditions precedent required for the PSALM's turnover of the Palinpinon and Tongonan geothermal power plants. While on May 5, 2010, BGI submitted the highest offer price for BGPP in a competitive bidding conducted by PSALM and remitted the full payment of the BGPP acquisition on September 3, 2010. Furthermore, the supply of steam is location-specific, such that each power plant can only source its fuel from a dedicated nearby steam field.

The only other Philippine company engaged in the production of steam is Chevron Geothermal Philippines Holdings which supplies to Aboitiz Power Corporation's 747 MW Tiwi-Makban geothermal power plants. Foreign companies that are actively engaged in geothermal consultancy in the Asia-Pacific region are West Japan Engineering Consultancy, GeothermEx, Sinclair Knight Merz Engineering Consultancy and PB Power.

### **Dependence on one or a few major customers and identity of any such major customers**

Close to 57.8% of the Company's total revenues are derived from existing long-term Power Purchase Agreements (PPAs) with NPC.

## Concessions and government share payments

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

- Tongonan Geothermal Project (expiring in 2034)
- Southern Negros Geothermal Project (expiring in 2031)
- Bacon-Manito Geothermal Project (expiring in 2031)
- Mt. Apo Geothermal Project (expiring in 2042)
- Northern Negros Geothermal Project (expiring in 2044)

The Company also holds service contracts for the following prospect areas:

### Geothermal Resource

1. Mt Cabalian Geothermal Project (expiring by 2034)
2. Mt. Labo Geothermal Project (with a five-year pre-development period expiring in 2015, 25-year contract period expiring in 2035)
3. Mt. Mainit Geothermal Project (with a five-year pre-development period expiring in 2015, 25-year contract period expiring in 2035)

### Wind Resource

1. Burgos Wind Project (WESC assigned by EDC to EDC Burgos Wind Power Corporation)  
Under DOE Certificate of Registration No. WESC 2009-09-004 (pre-development stage expiring in 2012, 25-year contract period expiring in 2034)
2. Pagudpud Wind Project,  
Under DOE Certificate of Registration No. WESC 2010-02-040 (pre-development stage expiring in 2013, 25-year contract period expiring in 2035)
3. Camiguin Wind Project,  
Under DOE Certificate of Registration No. WESC 2010-02-041 (pre-development stage expiring in 2013, 25-year contract period expiring in 2035)
4. Taytay Wind Project,  
Under DOE Certificate of Registration No. WESC 2010-02-042 (pre-development stage expiring in 2013, 25-year contract period expiring in 2035)
5. Dinagat Wind Project,  
Under DOE Certificate of Registration No. WESC 2010-02-043 (pre-development stage expiring in 2013, 25-year contract period expiring in 2035)
6. Siargao Wind Project,  
Under DOE Certificate of Registration No. WESC 2010-02-044 (pre-development stage expiring in 2013, 25-year contract period expiring in 2035)

## KEY PERFORMANCE INDICATORS

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

Ratio	Mar – 11	Mar – 10
Current Ratio	2.43:1	0.94:1
Debt-to-Equity Ratio	1.75:1	1.45:1
Net Debt-to-Equity Ratio	1.10:1	1.02:1
Return on Assets (%)	2.27	5.98
Return on Equity (%)	6.65	15.45

**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.

**Return on Assets** – Net income (annual basis) 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 (annual basis) 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.

## OPERATING REVENUES AND EXPENSES

### *FINANCIAL HIGHLIGHTS*

The recurring net income generated in the first quarter of 2011 decreased by 61.1% or ₱1,930.5 million to ₱1,228.8 million from the ₱3,159.3 million posted during the same period in 2010. This was mainly due to the decrease in revenues from FG Hydro's electricity sales and absence of steam sales (₱1,207.7 million) and the higher operating expenses mainly attributed to higher operations and maintenance (₱685.3 million).

Net income is equivalent to 24.5% of total revenues in 2011 as compared to the 52.6% in the same period in 2010.

Net income decreased by 61.4% or ₱2,314.7 million to ₱1,454.5 million as of March 2011 from ₱3,769.2 million during the same period in 2010.

Factors contributing to these were the following:

- decline in revenues mainly due to lower electricity sales volume and unit price for FG Hydro, and the forgone steam sales following the acquisition of the Bacman power plants in September 2010 (₱1,207.7 million);
- higher operating expenses primarily due to increased operations and maintenance expenses for the rehabilitation of the Bacman steamfield facilities and increases in general and administrative expenses, purchased services and utilities, and depreciation and amortization charges for the period (₱685.4 million);
- lower other income from the drop in unrealized foreign exchange gain with the redenomination of the Company's debt (₱415.6 million); and
- increase in financial expenses-net due to increase in outstanding borrowings and lower interest income (₱186.3 million).

Cash and cash equivalents increased by 221.8% or ₱13,656.7 million to ₱19,814.6 million as of March 31, 2011 from the ₱6,157.9 million December 31, 2010 balance.

The increase was mainly accounted for by the following:

- proceeds from the US\$300 million notes issuance (₱13,350.0 million); and
- internal cash generated from operations during the quarter (₱4,188.1 million).

These were mainly offset by the following:

- expenditures for property, plant and equipment (₱2,106.0 million);
- settlement of loans (₱703.1 million);
- increase in other noncurrent assets (₱302.1 million);
- effect of foreign exchange adjustments on US dollar placements (₱230.5 million); and
- interest and financing charges (₱550.2 million).

## RESULTS OF OPERATIONS

The following table details the results of operations for EDC for the first three quarters of 2011 and 2010.

### INCOME STATEMENT

Analysis of Material Changes as of March 31, 2011 and March 31, 2010

(Amounts in PHP millions)	Mar. 2011	Mar. 2010	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Amount	%	2011	2010
					Favorable (Unfavorable) Variance	
Sale of electricity	5,798.2	6,543.0	(744.8)	-11.4%	97.4%	91.4%
Sale of steam	-	440.0	(440.0)	-100.0%	0.0%	6.1%
Drilling services	154.6	177.5	(22.9)	-12.9%	2.6%	2.5%
<b>TOTAL REVENUES</b>	<b>5,952.8</b>	<b>7,160.5</b>	<b>(1,207.7)</b>	<b>-16.9%</b>	<b>100.0%</b>	<b>100.0%</b>
Operations and maintenance	(1,633.3)	(1,125.1)	(508.2)	45.2%	-27.4%	-15.7%
Purchased services and utilities	(391.4)	(340.0)	(51.4)	15.1%	-6.6%	-4.7%
General and administrative	(829.3)	(756.1)	(73.2)	9.7%	-13.9%	-10.6%
Depreciation and amortization	(906.0)	(853.4)	(52.6)	6.2%	-15.2%	-11.9%
<b>Total Operating Expenses</b>	<b>(3,760.0)</b>	<b>(3,074.6)</b>	<b>(685.4)</b>	<b>22.3%</b>	<b>-63.1%</b>	<b>-42.9%</b>
Interest income	123.9	135.3	(11.4)	-8.4%	2.1%	1.9%
Interest expense	(1,038.9)	(864.0)	(174.9)	20.2%	-17.5%	-12.1%
<b>Total Financial Income (Expenses)</b>	<b>(915.0)</b>	<b>(728.7)</b>	<b>(186.3)</b>	<b>25.6%</b>	<b>-15.4%</b>	<b>-10.2%</b>
Foreign exchange gains (losses), net	188.6	674.8	(486.2)	-72.1%	3.2%	9.4%
Derivatives gain (loss), net	37.6	(5.4)	43.0	-796.3%	0.6%	-0.1%
Miscellaneous, net	30.7	3.1	27.6	890.3%	0.5%	0.0%
<b>Total Other Income (Expenses)</b>	<b>256.9</b>	<b>672.5</b>	<b>(415.6)</b>	<b>-61.8%</b>	<b>4.3%</b>	<b>9.3%</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,534.7</b>	<b>4,029.7</b>	<b>(2,495.0)</b>	<b>-61.9%</b>	<b>25.8%</b>	<b>56.2%</b>
Provision for (benefit from) Income Tax						
Current	(168.4)	(206.9)	38.5	-18.6%	-2.8%	-2.9%
Deferred	88.2	(53.6)	141.8	-264.6%	1.5%	-0.7%
	(80.2)	(260.5)	180.3	-69.2%	-1.3%	-3.6%
<b>NET INCOME</b>	<b>1,454.5</b>	<b>3,769.2</b>	<b>(2,314.7)</b>	<b>-61.4%</b>	<b>24.5%</b>	<b>52.6%</b>
Attributable to:						
Equity holders of the Parent Company	1,377.9	3,262.8	(1,884.9)	-57.8%	23.1%	45.6%
Minority Interests	76.4	506.3	(429.9)	-84.9%	1.3%	7.1%
<b>EBITDA</b>	<b>3,166.7</b>	<b>4,939.3</b>	<b>(1,772.6)</b>	<b>-35.9%</b>	<b>53.2%</b>	<b>69.0%</b>
<b>Recurring Net Income</b>	<b>1,228.8</b>	<b>3,159.3</b>	<b>(1,930.5)</b>	<b>-61.1%</b>	<b>20.6%</b>	<b>44.1%</b>
Attributable to:						
Equity holders of the Parent Company	1,152.3	2,679.7	(1,527.4)	-57.0%	19.4%	37.4%
Minority Interests	76.7	479.6	(402.9)	-84.0%	1.3%	6.7%

### YTD March 31, 2011 vs. YTD March 31, 2010

#### Revenues

Revenues for the period ended March 31, 2011 decreased by 16.9% to ₱5,952.8 million from ₱7,160.5 million registered during the same period in 2010. The ₱1,207.7 million decline in revenues mainly due to lower electricity sales volume and unit price for FG Hydro, and the forgone steam sales following the acquisition of the Bacman power plants in September 2010.

### ***Revenue from Sale of Electricity***

Revenue from sale of electricity decreased by 11.4% or ₱744.8 million to ₱5,798.2 million as of March 2011 from ₱6,543.0 million posted during the same period in 2010 on account of the following:

- FG Hydro's decrease in average tariff by ₱3.5852/KWh mainly due to lower WESM prices, and volume by 60.4 MWh due to lower irrigation diversion requirements (IDR) from the National Irrigation Administration (NIA) (₱965.0 million).
- Parent Company's decrease in average prices by ₱0.1080/KWh due to lower inflation indices following the appreciation of PHP against the US\$ (₱130.9 million);

Partially offset by GCGI's increase in sales by ₱289.1 million on account of higher average tariff by ₱0.3172/KWh and volume by 41.4 MWh.

### ***Revenue from Sale of Steam***

The forgone steam sales as of March 31, 2011 as compared to the ₱440.0 million balance during the same period in 2010 following the acquisition of the Bacman power plants in September 2010 which were put to rehabilitation by the Company since the turnover.

### ***Revenue from Drilling Services***

Revenue from drilling services decreased by ₱22.9 million or 12.9%, to ₱154.6 million in the first quarter of 2011 from ₱177.5 million during the same period in 2010. The unfavorable variance was mainly attributed to lower number of revenue days and peso appreciation against US\$.

## **Operating Expenses**

Operating expenses increased by 22.3% or ₱685.4 million to ₱3,760.0 million as of March 2011 from ₱3,074.6 million level during the same period in 2010.

The increase was attributed to the Company's higher operations and maintenance (₱508.2 million), general and administrative expenses (₱73.2 million), purchased services and utilities (₱51.4 million) and depreciation and amortization (₱52.6 million).

### ***Operations and Maintenance***

Operations and maintenance expenses increased by 45.2% or ₱508.2 million to ₱1,633.3 million in the first quarter of 2011 from ₱1,125.1 million during the same period in 2010 mainly on account of the on-going steamfield rehabilitation activities in Bacman (₱177.1), settlement in January 2011 of real property tax for the Palinpinon

steamfield assets (₱90.6 million) and higher real property tax payment for the power plants of Unified Leyte and No. Negros (₱58.2 million). The increase is also attributable to GCGI's higher rental, insurance & taxes (₱72.9 million), repairs & maintenance (₱60.8 million) and personnel costs (₱25.4 million).

#### ***General and Administrative***

General and administrative expenses increased by 9.7% or ₱73.2 million to ₱829.3 million in the first quarter of 2011 from ₱756.1 million during the same period in 2010 mainly on account of provision of allowance for doubtful accounts on overdue trade account receivables while none in 2010.

#### ***Purchased Services and Utilities***

Purchased services and utilities increased by 15.1% or ₱51.4 million to ₱391.4 million in the first quarter of 2011 from ₱340.0 million during the same period in 2010 mainly attributed to rehabilitation of steamfield facilities, particularly in Bacman, and maintenance of power plant facilities.

#### ***Depreciation and Amortization***

Depreciation and amortization increased by 6.2% or ₱52.6 million to ₱906.0 million in the first quarter of 2011 from ₱853.4 million during the same period in 2010 mainly contributed by the depreciation of the newly acquired assets (₱34.5 million) and the asset recognized in March 2011 for the asset retirement obligation (ARO) (₱18.1 million).

### **Financial Income (Expenses)**

Financial expenses-net increased by 25.6% or ₱186.3 million to ₱915.0 million in the first quarter of 2011 from ₱728.7 million during the same period in 2010 due to the increase in outstanding borrowings and lower interest income.

#### ***Interest Income – net***

Interest income (net of final tax) decreased by 8.4% or ₱11.4 million to ₱123.9 million as of March 2011 from ₱135.3 million during the same period in 2010. The unfavorable variance was mainly contributed by lower interest rate on dollar placements as compared to peso placements in 2010. The proceeds of the US\$300.0 million notes constitute bulk of the investible funds for 2011.

#### ***Interest Expense***

Interest expense increased by 20.2% or ₱174.9 million to ₱1,038.9 million as of March 2011 from ₱864.0 million during the same period in 2010. The unfavorable variance was mainly on account of the US\$300 million notes and US\$175 million syndicated term loan facility issued/acquired in January 2011 and June 2010, respectively.

### **Other Income (Charges)**

Other income—net decreased by 61.8%, or ₱415.6 million to ₱256.9 million as of March 2011 from ₱672.5 million during the same period in 2010. The unfavorable variance was primarily contributed by lower foreign exchange gain.

#### ***Foreign Exchange Gain - net***

The foreign exchange gains - net decreased by 72.1%, or ₱486.2 million, to ₱188.6 million as of March 2011 from the ₱674.8 million during the same period in 2010. The decrease of foreign exchange gain in 2011 compared with 2010 was influenced by the shift in loan currency mix from JPY-dominated loan portfolio to USD-dominated loan portfolio following the full settlement of ₱11,043.7 million Miyazawa II loan, ₱4,212.2 million PNOC relent loans and ₱1,132.3 million settlement of maturing principal on OECF loans all in June 2010.

The comparative foreign exchange rates were as follows:

	JPY:US\$	PHP:US\$
December 31, 2009	91.634	46.200
March 31, 2010	92.790	45.170
December 31, 2010	81.659	43.840
March 31, 2011	82.871	43.390

#### ***Derivatives Gain (Loss), net***

Derivatives gain/loss - net decreased by ₱43.0 million to derivative gain of ₱37.6 million in the first quarter of 2011 from a derivative loss of ₱5.4 million during the same period in 2010. The 2011 derivative gain pertained to various swap transactions of the Parent Company for US dollar and Japanese yen currencies entered into with various banks in February 2011, maturing in March 2011 and April 2011. FG Hydro's loss of ₱8.7 million mainly accounted for the net loss in 2010.

#### ***Miscellaneous Income – net***

Miscellaneous income - net increased by ₱27.6 million, or 890.3%, to ₱30.7 million in the first quarter of 2011 from ₱3.1 million during the same period in 2010. The favorable variance was primarily contributed by the various adjustments in 2011 relating to sale/disposal of obsolete materials and supplies inventories.

### **Provision for (Benefit from) Income Tax**

Current tax expense decreased by 18.6% or ₱38.5 million to ₱168.4 million as of March 2011 from ₱206.9 million during the same period in 2010. The favorable variance was mainly due to lower taxable income caused by the forgone steam revenues and higher operating expenses.

Deferred income tax decreased by 264.6% or ₱141.8 million. The decrease was primarily contributed by lower deferred taxable income on steam and electricity operations mainly influenced by lower unrealized forex gain on the realignment of long-term foreign loans (₱76.4 million) coupled with higher deferred tax asset on taxable loss (NOLCO) from drilling/other operations and subsidiaries (₱61.8 million).

### **Net Income**

Net income decreased by 61.4% or ₱2,314.7 million to ₱1,454.5 million as of March 2011 from ₱3,769.2 million during the same period in 2010.

Factors contributing to these were the following:

- decline in revenues mainly due to lower electricity sales volume and unit price for FG Hydro, and the forgone steam sales following the acquisition of the Bacman power plants in September 2010 (₱1,207.7 million);
- higher operating expenses primarily due to increased operations and maintenance expenses for the rehabilitation of the Bacman steamfield facilities and increases in general and administrative expenses, purchased services and utilities, and depreciation and amortization charges for the period (₱685.4 million);
- lower foreign exchange gains (₱486.2 million); and
- increase in financial expenses-net due to increase in outstanding borrowings and lower interest income (₱186.3 million).

These were cushioned by the following:

- lower income tax due mainly to lower deferred tax liability on unrealized foreign exchange gain coupled with higher deferred tax on taxable loss (₱180.3 million); and
- turnaround of derivative transactions from loss to gain on swaps of US\$ and Japanese Yen currencies and other adjustments (₱70.6 million).

Net income is equivalent to 24.5% of total revenues in the first quarter of 2011 as compared to the 52.6% during the same period in 2010.

## CAPITAL AND LIQUIDITY RESOURCES

<b>As of the quarter ended (in millions of pesos)</b>	<b>Q1 2011</b>	<b>Q1 2010</b>	<b>YoY change</b>
Balance Sheet Data			
Total Assets .....	95,326.7	87,952.9	8.4%
Total Liabilities.....	64,642.0	56,111.6	15.2%
Total Stockholders' Equity .....	30,684.7	31,841.3	3.6%

The Company's assets as of March 31, 2011 amounted to ₱95,326.7 million, 8.4% higher as compared to the ₱87,952.9 million level as of March 31, 2010.

## FINANCIAL POSITION

### *Horizontal and Vertical Analysis of Material Changes as of March 31, 2011 and December 31, 2010.*

#### BALANCE SHEET

Analysis of Material Changes as of March 31, 2011 and December 31, 2010

(Amounts In PHP millions)	Mar. 2011	Dec. 2010	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Increase (Decrease)		2011	2010
			Amount	%		
<b>ASSETS</b>						
Current Assets						
Cash and cash equivalents	19,814.6	6,157.9	13,656.7	221.8%	20.8%	7.6%
Trade and other receivables	2,922.3	4,602.0	(1,679.7)	-36.5%	3.1%	5.7%
Available-for-sale (AFS) investments	690.3	707.5	(17.2)	-2.4%	0.7%	0.9%
Parts and supplies inventories	2,641.1	2,577.4	63.7	2.5%	2.8%	3.2%
Derivative assets	11.8	-	11.8	100.0%	0.0%	0.0%
Other current assets	853.6	733.9	119.7	16.3%	0.9%	0.9%
<b>Total Current Assets</b>	<b>26,933.7</b>	<b>14,778.7</b>	<b>12,155.0</b>	<b>82.2%</b>	<b>28.3%</b>	<b>18.2%</b>
Noncurrent Assets						
Property, plant and equipment	58,160.9	56,679.2	1,481.7	2.6%	61.0%	69.7%
Intangible assets	4,519.0	4,543.0	(24.0)	-0.5%	4.7%	5.6%
Deferred tax assets	987.9	893.7	94.2	10.5%	1.0%	1.1%
Exploration and evaluation assets	1,201.5	1,170.4	31.1	2.7%	1.3%	1.4%
Other noncurrent assets	3,523.7	3,238.6	285.1	8.8%	3.7%	4.0%
<b>Total Noncurrent Assets</b>	<b>68,393.0</b>	<b>66,524.9</b>	<b>1,868.1</b>	<b>2.8%</b>	<b>71.7%</b>	<b>81.8%</b>
<b>TOTAL ASSETS</b>	<b>95,326.7</b>	<b>81,303.6</b>	<b>14,023.1</b>	<b>17.2%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
Current Liabilities						
Loan payable	90.0	175.0	(85.0)	-48.6%	0.1%	0.2%
Trade and other payables	8,166.0	5,123.5	3,042.5	59.4%	8.6%	6.3%
Income tax payable	239.7	71.2	168.5	236.7%	0.3%	0.1%
Due to related parties	317.8	335.7	(17.9)	-5.3%	0.3%	0.4%
Derivative liabilities	3.6	-	3.6	100.0%	0.0%	0.0%
Current portion of:						
Long-term debts	1,970.0	1,527.2	442.8	29.0%	2.1%	1.9%
Royalty fee payable	277.5	254.2	23.3	9.2%	0.3%	0.3%
<b>Total Current Liabilities</b>	<b>11,064.6</b>	<b>7,486.8</b>	<b>3,577.8</b>	<b>47.8%</b>	<b>11.7%</b>	<b>9.2%</b>
Noncurrent Liabilities						
Long-term debts - net of current portion	51,487.2	39,678.7	11,808.5	29.8%	54.0%	48.8%
Royalty fee payable - net of current portion	217.8	300.6	(82.8)	-27.5%	0.2%	0.4%
Asset retirement obligations	321.1	-	321.1	100.0%	0.3%	0.0%
Retirement and other post-retirement benefits	1,298.6	1,307.1	(8.5)	-0.7%	1.4%	1.6%
Other long-term liabilities	252.7	291.3	(38.6)	-13.3%	0.3%	0.5%
<b>Total Noncurrent Liabilities</b>	<b>53,577.4</b>	<b>41,577.7</b>	<b>11,999.7</b>	<b>28.9%</b>	<b>56.2%</b>	<b>51.2%</b>
<b>EQUITY</b>						
Equity Attributable to Equity Holders of the Parent						
Preferred stock	93.8	93.8	-	0.0%	0.1%	0.1%
Common stock	18,750.0	18,750.0	-	0.0%	19.7%	23.1%
Common stock in employee trust account	(377.5)	(379.2)	1.7	-0.4%	-0.3%	-0.5%
Additional paid-in capital	6,266.3	6,266.1	0.2	0.0%	6.6%	7.7%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-3.8%	-4.6%
Accumulated unrealized gain on AFS investments	110.3	119.7	(9.4)	-7.9%	0.1%	0.1%
Retained earnings	7,898.8	9,524.6	(1,625.8)	-17.1%	8.3%	11.7%
Cumulative translation adjustment	1.4	1.4	-	0.0%	0.0%	0.0%
	29,036.7	30,670.0	(1,633.3)	-5.3%	30.6%	37.6%
Minority Interest	1,648.0	1,569.1	78.9	5.0%	1.7%	1.9%
<b>Total Equity</b>	<b>30,684.7</b>	<b>32,239.1</b>	<b>(1,554.4)</b>	<b>-4.8%</b>	<b>32.3%</b>	<b>39.5%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>95,326.7</b>	<b>81,303.6</b>	<b>14,023.1</b>	<b>17.2%</b>	<b>100.2%</b>	<b>100.0%</b>

## Assets

### Cash and Cash Equivalents

The 221.8% or ₱13,656.7 million increase to ₱19,814.6 million as of March 31, 2011 from the ₱6,157.9 million December 31, 2010 balance was mainly due to the following:

- proceeds from US\$300 million notes (₱13,350.0 million); and
- internal cash generation for the first quarter of 2011 (₱4,188.1 million).

The above increases were mainly offset by the:

- acquisition of property, plant and equipment (₱2,106.0 million);
- settlement of loans (₱703.1 million);
- effect of foreign exchange adjustments (₱230.5 million);
- increase in other noncurrent assets (₱302.1 million); and
- interest and financing charges (₱550.2 million).

### Trade and Other Receivables

Trade and other receivables decreased by 36.5% or ₱1,679.7 million to ₱2,922.3 million as of March 31, 2011 from the ₱4,602.0 million balance as of December 31, 2010 due to the following:

- ₱1,127.5 million collection of the November 2010 regular billings and August 2010 inflation adjustments for Unified Leyte and regular billings of GCGI; and
- ₱95.7 million increase in provision for doubtful accounts for the period of the Parent Company.

### Parts and Supplies Inventories

This account increased by 2.5% or ₱63.7 million to ₱2,641.1 million as of March 31, 2011 from the ₱2,577.4 million as of December 31, 2010. The increase was primarily due to the procurement of power plant spares and drilling tubular products and equipment spares for on-going maintenance and rehabilitation activities.

### Derivative assets

The derivative assets ₱11.8 million balance as of March 31, 2011 pertains to the fair value of the outstanding foreign currency forward and foreign exchange swap contracts.

### **Other Current Assets**

This account increased by 16.3% or ₱119.7 million to ₱853.6 million as of March 31, 2011 from the ₱733.9 million balance in December 2010 primarily due to the increase in prepaid expenses of the Parent Company accounted by the ₱116.1 million reclassification from Trade Receivable to Other Current Assets account of the creditable withholding taxes deducted by NPC on its net billings and ₱48.2 million increase in advances to suppliers and contractors of BGI. These were reduced by ₱47.2 million amortization of prepaid insurance and rental expenses for the period.

### **Deferred Income Tax Assets**

This account went up by 10.5% or ₱94.2 million to ₱987.9 million as of March 31, 2011 from the ₱893.7 million balance as of December 31, 2010 mainly due to the Parent Company lower unrealized forex gain on translation of long-term foreign loans by ₱51.2 million and ₱42.8 million increase in DTA of GCGI's due to the additional NOLCO for the period.

### **Other Noncurrent Assets**

This account increased by 8.8% or ₱285.1 million to ₱3,523.7 million as of March 31, 2011 from the ₱3,238.6 million balance as of December 31, 2010 mainly due to ₱209.1 million increase in Input VAT claims of the Parent Company, coupled with ₱71.3 million increase in input VAT on goods and services and ₱11.8 million increase in prepaid and deferred charges of GCGI. These were offset by ₱11.1 million provision for doubtful account for the period.

## **Liabilities**

### **Loans Payable**

Loans Payable decreased by 48.6% or ₱85.0 million to ₱90.0 million as of March 31, 2011 from the balance of ₱175.0 million as of December 31, 2010 pertains to the partial settlement of the Parent Company's unsecured short-term borrowing at 2.20% interest rate per annum obtained on December 21, 2010.

### **Trade and other payables**

This account increased by 59.4% or ₱3,042.5 million to ₱8,166.0 million as of March 31, 2011 from the ₱5,123.5 million balance as of December 31, 2010 mainly due to the ₱3,007.5 million accrual of cash dividends payable on or before April 22, 2011.

**Income Tax payable**

This account increased by 236.7% or ₱168.5 million, to ₱239.7 million as of March 31, 2011 from the ₱71.2 million balance as of December 31, 2010 pertain to the accrual of income tax liability for the period.

**Due to related parties**

This account decreased by 5.3% or ₱17.9 million to ₱317.8 million as of March 31, 2011 from the ₱335.7 million balance as of December 31, 2010 mainly due to partial settlement of liabilities by the Parent Company.

**Derivative liability**

The ₱3.6 million balance as of March 31, 2011 pertains to the fair value of the outstanding foreign currency forward and foreign exchange swap contracts with various counterparties.

**Long-term debt (current portion)**

This account increased by 29.0% or ₱442.8 million to ₱1,970.0 million as of March 31, 2011 from ₱1,527.2 million primarily due to the reclassification to current of the ₱453.0 million FRCN principal amortization due in January 2012. This was partially offset by ₱10.7 million foreign exchange gain on translation of foreign loans.

**Royalty fee payable (current portion )**

Royalty fee payable increased by 9.2% or ₱23.3 million, to ₱277.5 million as of March 31, 2011 from the ₱254.2 million balance at year-end 2010 mainly due to the following:

- reclassification from non-current portion of outstanding royalty fees (DOE share) thru first quarter in 2012 (₱87.5 million);
- government share incurred for the period (₱52.4 million); and
- accretion on Day 1 gain recognized in 2011 (₱5.0 million).

These were offset by ₱121.6 million royalty fee payments for the period.

### **Long-term debt (net of current portion)**

This account increased by 29.8% or ₱11,808.5 million to ₱51,487.2 million as of March 31, 2011 from ₱39,678.7 million primarily due to following:

- proceeds of ₱13,215.7 million, net of ₱134.3 million transaction costs, from US\$300.0 million notes availed in January 2011; and
- amortization of transaction costs of outstanding loans (₱38.3 million).

These were offset by the following:

- reclassification of the current portion of obligation due from April 1, 2011 to March 31, 2012 of principal amortization payments on OECF loans and FRCN (₱770.9 million); and
- foreign exchange gains on translation of foreign loans (₱678.6 million).

### **Royalty fee payable (net of current portion )**

This account decreased by 27.5% or ₱82.8 million to ₱217.8 million as of March 31, 2011 from the ₱300.6 million balance as of December 31, 2010 mainly due to the ₱87.5 million reclassification from non-current portion of outstanding royalty fees payable to 2012 to DOE reduced by ₱4.7 million accretion on Day 1 gain recognized in 2011.

### **Other Long-term liabilities**

This account decreased by 13.3% or ₱38.6 million to ₱252.7 million as of March 31, 2011 from ₱291.3 million balance as of December 31, 2010 due to the payment of the 10 days monetized vacation leave of employees and settlement of vacation and sick leave credits of separated employees.

### **Accumulated unrealized gain on AFS investments**

This account decreased by 7.9% or ₱9.4 million to ₱110.3 million as of March 31, 2011 from ₱119.7 million as of December 31, 2010 mainly due to the decrease in fair value of the investments for the period.

### **Retained Earnings**

Retained Earnings decreased by 17.1% or ₱1,625.8 million, to ₱7,898.8 million as of March 31, 2011 from ₱9,524.6 million as of December 31, 2010 mainly due to ₱3,007.5 million accrual of cash dividends declared March 15, 2011 offset by the ₱1,454.5 million net income for the 1<sup>st</sup> quarter of 2011.

## Horizontal and Vertical Analysis of Material Changes as of March 31, 2011 and 2010.

### BALANCE SHEET

Analysis of Material Changes as of March 31, 2011 and 2010

(Amounts In PHP millions)	Mar. 2011	Mar. 2010	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Increase (Decrease)		2011	2010
			Amount	%		
<b>ASSETS</b>						
Current Assets						
Cash and cash equivalents	19,814.6	13,739.1	6,075.5	44.2%	20.8%	15.6%
Trade and other receivables	2,922.3	6,005.2	(3,082.9)	-51.3%	3.1%	6.8%
Available-for-sale (AFS) investments	690.3	729.7	(39.4)	-5.4%	0.7%	0.8%
Parts and supplies inventories	2,641.1	1,978.3	662.8	33.5%	2.8%	2.2%
Due from related parties	-	1.9	(1.9)	-100.0%	0.0%	0.0%
Derivative assets	11.8	11.9	(0.1)	-0.8%	0.0%	0.0%
Other current assets	853.6	321.3	532.3	165.7%	0.9%	0.4%
<b>Total Current Assets</b>	<b>26,933.7</b>	<b>22,787.4</b>	<b>4,146.3</b>	<b>18.2%</b>	<b>28.3%</b>	<b>25.9%</b>
Noncurrent Assets						
Property, plant and equipment	58,160.9	56,968.6	1,192.3	2.1%	61.0%	64.8%
Intangible assets	4,519.0	4,615.2	(96.2)	-2.1%	4.7%	5.2%
Deferred tax assets	987.9	1,160.7	(172.8)	-14.9%	1.0%	1.3%
Exploration and evaluation assets	1,201.5	1,046.3	155.2	14.8%	1.3%	1.2%
Derivative assets	-	0.9	(0.9)	-100.0%	0.0%	0.0%
Other noncurrent assets	3,523.7	1,373.8	2,149.9	156.5%	3.7%	1.6%
<b>Total Noncurrent Assets</b>	<b>68,393.0</b>	<b>65,165.5</b>	<b>3,227.5</b>	<b>5.0%</b>	<b>71.7%</b>	<b>74.1%</b>
<b>TOTAL ASSETS</b>	<b>95,326.7</b>	<b>87,952.9</b>	<b>7,373.8</b>	<b>8.4%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
Current Liabilities						
Loan payable	90.0	225.9	(135.9)	-60.2%	0.1%	0.3%
Trade and other payables	8,166.0	6,770.3	1,395.7	20.6%	8.6%	7.7%
Income tax payable	239.7	273.3	(33.6)	-12.3%	0.3%	0.3%
Due to related parties	317.8	342.5	(24.7)	-7.2%	0.3%	0.4%
Derivative liabilities	3.6	8.6	(5.0)	-58.1%	0.0%	0.0%
Current portion of:						
Long-term debts	1,970.0	16,448.3	(14,478.3)	-88.0%	2.1%	18.7%
Royalty fee payable	277.5	264.5	13.0	4.9%	0.3%	0.3%
<b>Total Current Liabilities</b>	<b>11,064.6</b>	<b>24,333.4</b>	<b>(13,268.8)</b>	<b>-54.5%</b>	<b>11.7%</b>	<b>27.7%</b>
Noncurrent Liabilities						
Long-term debts - net of current portion	51,487.2	29,642.9	21,844.3	73.7%	54.0%	33.7%
Royalty fee payable - net of current portion	217.8	491.2	(273.4)	-55.7%	0.2%	0.6%
Deferred tax liabilities, net	-	22.1	(22.1)	-100.0%	0.0%	0.0%
Asset retirement obligations	321.1	-	321.1	100.0%	0.3%	0.0%
Retirement and other post-retirement benefits	1,298.6	1,331.0	(32.4)	-2.4%	1.4%	1.5%
Other long-term liabilities	252.7	291.0	(38.3)	-13.2%	0.3%	0.4%
<b>Total Noncurrent Liabilities</b>	<b>53,577.4</b>	<b>31,778.2</b>	<b>21,799.2</b>	<b>68.6%</b>	<b>56.2%</b>	<b>36.2%</b>
<b>EQUITY</b>						
Equity Attributable to Equity Holders of the Parent						
Preferred stock	93.8	93.8	-	0.0%	0.1%	0.1%
Common stock	18,750.0	18,750.0	-	0.0%	19.7%	21.3%
Common stock in employee trust account	(377.5)	(391.6)	14.1	-3.6%	-0.3%	-0.4%
Additional paid-in capital	6,266.3	6,262.0	4.3	0.1%	6.6%	7.1%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-3.8%	-4.2%
Accumulated unrealized gain on AFS investments	110.3	122.5	(12.2)	-10.0%	0.1%	0.1%
Retained earnings	7,898.8	8,675.0	(776.2)	-8.9%	8.3%	9.9%
Cumulative translation adjustment	1.4	-	1.4	100.0%	0.0%	0.0%
<b>Total Equity</b>	<b>29,036.7</b>	<b>29,805.3</b>	<b>(768.6)</b>	<b>-2.6%</b>	<b>30.6%</b>	<b>33.8%</b>
Minority Interest	1,648.0	2,036.0	(388.0)	-19.1%	1.7%	2.3%
<b>Total Equity</b>	<b>30,684.7</b>	<b>31,841.3</b>	<b>(1,156.6)</b>	<b>-3.6%</b>	<b>32.3%</b>	<b>36.1%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>95,326.7</b>	<b>87,952.9</b>	<b>7,373.8</b>	<b>8.4%</b>	<b>100.2%</b>	<b>100.0%</b>

## Assets

### Cash and Cash Equivalents

This account increased by 44.2% or ₱6,075.5 million to ₱19,814.6 million from the ₱13,739.1 million balance as of March 31, 2010 was primarily due to:

- proceeds from the US\$300 million notes (₱13,350.0 million);
- proceeds from the US\$175 million syndicated term loan facility (₱8,058.8 million);
- internal cash generations (₱10,704.9 million)
- proceeds from short-term loans (₱175.0 million);

The above increases were mainly reduced by the:

- payment for acquisition of Bacon-Manito Geothermal Power Plants (₱1,279.7 million);
- settlement of Miyazawa II, PNOC on-lent, and regular debt servicing (₱16,775.3 million);
- settlement of short-term loans (₱85.0 million);
- acquisition of property, plant and equipment (₱5,287.7 million);
- cash dividends paid by the parent company (₱2,256.3 million);
- increase in due from a related party (₱238.1 million); and
- increase in other noncurrent assets (₱106.2 million).

### Trade and Other Receivables

This account decreased by 51.3% or ₱3,082.9 million to ₱2,922.3 million as of March 31, 2011 from the ₱6,005.2 million balance as of March 31, 2010. The reduction was due to the following:

- collection of the November 2010 regular billings and August 2010 inflation adjustments for Unified Leyte in January 2011 (₱1,034.9 million);
- application of the last tranche of the arbitral award from NPC billings in November 2010 (₱894.9 million);
- decrease in FG Hydro trade receivables due to lower sales for the period (₱584.0 million);
- increase in provision for doubtful account (₱116.7 million); and
- decrease in accrued interest income on investments (₱49.3 million).

### Available-For-Sale (AFS) Investments

AFS Investments decreased by 5.4% or ₱39.4 million to ₱690.3 million as of March 31, 2011 from the ₱729.7 million balance as of March 31, 2010 mainly due to foreign exchange gain sustained in translating the placements to the continued appreciation of the Peso versus the US\$ exchange rate.

### **Parts and Supplies Inventories**

This account increased by 33.5% or ₱662.8 million to ₱2,641.1 million as of March 31, 2011 from the ₱1,978.3 million balance for the same period in 2010 due to the increase, net of withdrawals, on various materials and supplies for drilling, maintenance and rehabilitation activities in 2010.

### **Due from related parties**

The 100% or ₱1.9 million decreased from the balance as of March 31, 2010 mainly due to First Gen's settlement of interest free advances from EDC.

### **Other Current Assets**

Other current assets increased by 165.7% or ₱532.3 million to ₱853.6 million as of March 31, 2011 from the ₱321.3 million posted for the same period in 2010 mainly due to the ₱300.0 million Input VAT refund certificates recognized in 2010 and increase in advances to suppliers and contractors by ₱198.9 million.

### **Deferred Income Tax Assets**

This account decreased by 14.9% or ₱172.8 million to ₱987.9 million as of March 31, 2011 from the balance of ₱1,160.7 million as of March 31, 2010 mainly due to the realization of the deferred tax asset on the unrealized foreign exchange losses brought about by the Parent Company's full settlement of Miyazawa II and PNOC relent loans in 2010 and payment of principal amortization on OECF loans offset by ₱98.5 million DTA on additional NOLCO of GCGI.

### **Exploration and Evaluation Assets**

This account increased by 14.8% or ₱155.2 million to ₱1,201.5 million as of March 31, 2011 from the balance of ₱1,046.3 million as of March 31, 2010 primarily due to the expenditures of EBWPC for the Burgos Wind Project.

### **Derivative assets (non-current)**

This account decreased by 100% or ₱0.9 million as of March 31, 2011 due to FG Hydro's full settlement of the contract for Pantabangan Refurbishment and Upgrade Project (PRUP) in September 2010.

### **Other Noncurrent Assets**

This account increased by 156.5% or ₱2,149.9 million, to ₱3,523.7 million as of March 31, 2011 from the ₱1,373.8 million as of March 31, 2010 primarily due to the ₱1,338.9 million receipt of tax credit certificates in 2010 and ₱644.1 million increase in input VAT on goods and services.

### **Trade and other payables**

This account increased by 20.6%, or ₱1,395.7 million, to ₱8,166.0 million as of March 31, 2011 from the balance of ₱6,770.3 million in the same period of 2010 mainly due to ₱3,007.5 million accrual of cash dividends offset by the decrease in trade payables of ₱1,608.0.

### **Loans Payable**

This account decreased by 60.2% or ₱135.9 million, to ₱90.0 million as of March 31, 2011 from ₱225.9 in the same period of 2010 primarily due to ₱225.9 million full settlement of FG Hydro's loans offset by the increase in unsecured short-term borrowing of ₱90.0 million.

### **Due to related parties**

This account decreased by 7.2% or ₱24.7 million to ₱317.8 million as of March 31, 2011 from the balance of ₱342.5 million as of March 31, 2010 primarily due to FG Hydro's settlement of its liabilities to related parties.

### **Income Tax payable**

Income tax payable decreased by 12.3% or ₱33.6 million to ₱239.7 million as of March 31, 2011 from ₱273.3 million for the same period in 2010 mainly due to lower taxable income.

### **Derivative liabilities**

This account decreased by 58.1% or ₱5.0 million to ₱3.6 million as of March 31, 2011 from the balance of ₱8.6 million as of March 31, 2010 primarily due to the settlement of the hedging instruments for the JPY22 billion Miyazawa II.

**Long-term debt (current portion)**

This account decreased by 88% or ₱14,478.3 million to ₱1,970.0 million as of March 31, 2011 from the balance of ₱16,448.3 million as of March 31, 2010 mainly due to the full settlement of ₱11,092.0 million of JPY22 billion Miyazawa II maturing in June 2010 and ₱4,212.2 million PNOC relent loans in May 2010. These were offset by the ₱657.2 million reclassification of the current portion of FRCN principal amortization in 2011.

**Royalty fee payable (net of current portion )**

This account decreased by 55.7 % or ₱273.4 million to ₱217.8 million as of March 31, 2011 from the balance of ₱491.2 million as of March 31, 2010 primarily due to the reclassification to current portion of the ₱313.3 million outstanding royalty fees payable in 2011 net of ₱39.8 million unamortized Day 1 gain.

**Long-term debt ( net of current portion)**

Long-term debts, consisting of JPY, US\$ and PHP loans, increased by 73.7% or ₱21,844.3 million to ₱51,487.2 million as of March 31, 2011 from ₱29,642.9 million as of March 31, 2010 mainly due to the following:

- US\$300.0 million notes in January 2011 (₱13,350.0 million);
- proceeds from US\$175.0 million syndicated term loan facility (₱8,058.7 million);
- FG Hydro's loan from local banks in April 2010 (₱5,000.0 million); and
- amortization of transaction costs (₱78.6 million).

These were reduced by the following:

- full settlement of FG Hydro's PSALM deferred payment facility (₱2,399.0 million); and
- reclassification of the current portion of the Parent Company's principal amortization of OECF and FRCN loans (₱1,385.8 million).

**Deferred tax liabilities - net**

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. The account decreased by 100% or ₱22.1 million as of March 31, 2011 due to the settlement of the PSALM facility in 2010.

**Asset retirement obligations**

This account pertains to the liability to dismantle any installation in a contract area and restore such sites to their original condition at the end of the period when contractually obligated. The amount of asset retirement obligations are accreted and such accretion is recognized as interest expense.

**Other Long-term liabilities**

This account decreased by 13.2% or ₱38.3 million to ₱252.7 million as of March 31, 2011 from ₱291.0 million balance as of March 31, 2010 mainly due to the settlement of accrued vacation and sick leave benefits of separated employees.

**Accumulated unrealized gain on AFS investments**

This account decreased by 10.0% or ₱12.2 million to ₱110.3 million as of March 31, 2011 from ₱122.5 million as of March 31, 2010 mainly due to the decrease in fair value of the investments.

**Retained Earnings**

Retained Earnings decreased by 8.9% or ₱776.2 million to ₱7,898.8 million as of March 31, 2011 from ₱8,675.0 million balance as of March 31, 2010 mainly due to ₱3,007.5 million accrual of cash dividends declared on March 15, 2011 offset by ₱2,080.5 million net income from April 1, 2010 to March 31, 2011.

## CASH FLOW

Net cash flows from operating activities decreased by 8.6% or ₱333.3 million to ₱3,557.9 million in the first quarter of 2011 from ₱3,891.2 million during the same period in 2010 mainly due to the decline in operating income amounting to ₱1,754.2 million attributed to ₱965.0 million drop in sales revenue of FG Hydro and ₱685.4 million increase in operating expenses. These were offset by the settlement of ₱894.9 million last tranche of the arbitral award from NPC, lower payment in trade and other payables by ₱326.7 million and decrease in other current assets by ₱178.6 million.

Net cash flows used in investing activities increased by ₱1,570.7 million or 221.8% to ₱2,278.9 million in the first quarter of 2011 as compared to the ₱708.2 million during the same period in 2010 primarily due to the increase in capital expenditure by ₱1,277.3 million and ₱290.4 million increase in other noncurrent assets particularly input VAT.

The turnaround of ₱12,608.2 million on net cash flows from financing activities in March 2011 as compared to the ₱641.6 million net cash flows used in financing activities in 2010 was mainly due to the proceeds of the US\$300.00 million notes issued in January 2011.

## DISCUSSION ON THE SUBSIDIARIES

### FG Hydro

#### *March 2011 vs. March 2010 Results*

(Amounts in PHP millions)	As of and for the periods ended March 31	
	2011 (Unaudited)	2010 (Unaudited)
Operating revenues	517.2	1,482.2
Expenses – net	326.1	211.8
Income before tax	191.1	1,270.4
Provision for (benefit from) income tax	-	4.7
Net income	191.1	1,265.7
Total current assets	1,822.2	1,340.1
Total noncurrent assets	7,364.3	7,300.0
Total assets	9,186.5	8,640.1
Total current liabilities	491.9	1,678.4
Total noncurrent liabilities	4,574.6	1,871.6
Total liabilities	5,066.5	3,550.0
Total equity	4,120.0	5,090.1

FG Hydro generated revenues of ₱517.2 million for the quarter ended March 31, 2011, 65.1% lower than revenues of ₱1,482.2 million for the same period in 2010. The unfavorable variance was mainly on account of the combined effects of significantly lower dispatch due to low dam elevation and low IDR, and lower spot prices in the WESM. These unfavorable variances were further aggravated by higher depreciation, taxes and interest. Unlike in 2010, the favorable effect of improvements in foreign exchange rates in 2011 did not have an impact on FG Hydro as the US dollar denominated Deferred Payment Facility to PSALM had already been fully paid. Overall, FG Hydro posted a net income of ₱191.1 million for the quarter ended March 31, 2011, 85% lower than the ₱1,265.7 million reported income for the same period in 2010.

Total assets as of March 31, 2011 stood at ₱9,186.5 million, ₱546.4 million or 6.3% higher than the 2010 balance of ₱8,640.1 million. The favorable variance was mainly due to higher cash balance from the proceeds of the company's recent Peso loan and from funds generated from operations, partly offset by depreciation and amortization charges during the period.

Total liabilities as of March 31, 2011, stood at ₱5,066.5 million, ₱1,516.5 million or 42.7% higher than the 2010 balance of ₱3,550.0 million. The increase was mainly due to the ₱5,000.0 million loan with local banks that were used to fully refinance in May 2010 the ₱2,399.0 million balance of the PSALM Deferred Payment Facility, ₱504.1 settlement of advances from a related party and ₱452.9 million payment of short-term loans.

Total equity decreased by 19.1% or ₱970.1 million to ₱4,120.0 million as of March 31, 2011 from ₱5,090.1 million balance as of March 31, 2010.

**Green Core Geothermal Inc.**

**March 2011 vs. March 2010 Results**

<b>(Amounts in PHP millions)</b>	<b>As of and for the periods ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Revenues	1,814.7	1,487.8
Operating expenses	(2,072.5)	(1,457.3)
Other charges - net	(107.9)	(133.7)
Loss before income tax	(365.7)	(103.2)
Benefit from income tax	36.6	10.3
Net loss	(329.1)	(92.9)
Total Current Assets	1,249.4	1,118.5
Total Non-Current Assets	9,727.0	9,545.3
Total Current Liabilities	7,593.6	6,542.9
Total Equity	3,382.8	4,120.9

GCGI's revenues increased by 22.0% or ₱326.9 million, to ₱1,814.7 million as of March 31, 2011 from ₱1,487.8 for the same period in 2010 mainly due to higher sales volume by 48.3 GWh and increase in average tariff by ₱0.33/KWh.

Operating expenses increased by 42.2% or ₱615.2 million, to ₱2,072.5 million as of March 31, 2011 from ₱1,457.3 million for the same period 2010 mainly due to higher cost of steam provided by the Parent Company to GCGI's power plants on account of higher volume by 48.3 GWh and average cost by ₱0.643/KWh (₱503.9 million). The increase is also due to higher rental, insurance & taxes, repairs & maintenance and personnel costs (₱128.3 million).

Other charges - net decreased by 19.3% or ₱25.8 million, to ₱107.9 million 2011 from ₱133.7 million in 2010 mainly due to this period's foreign exchange gain (₱18.2 million), in contrast to last period's foreign exchange loss (₱1.9 million).

Benefit from income tax increased by 255.3% or ₱26.3 million, to ₱36.6 million in 2011 from ₱10.3 million in 2010 due mainly to higher operating loss.

Total current assets increased by 11.7% or ₱130.9 million, to ₱1,249.4 million in 2011 from ₱1,118.5 million in 2010 largely due to higher trade & other receivables (₱138.0 million) and cash & cash equivalents (₱80.3 million) offset by the reduction in parts & supplies inventories (₱94.1 million).

Total noncurrent assets increased by 1.9% or ₱181.7 million, to ₱9,727.0 million in 2011 from ₱9,545.3 million in 2010 due to higher deferred tax asset (₱77.6 million), other noncurrent assets (₱66.7 million) and property, plant and equipment (₱37.4 million).

Total liabilities increased by 16.1% or ₱1,050.7 million, to ₱7,593.6 million in 2011 from ₱6,542.9 million in 2010 owing to the increase in due to related party (₱631.8 million) and trade & other payable (₱442.3 million) reduced by last period's income tax payable (₱23.4 million).

Total equity decreased by 17.9% or ₱738.1 million, to ₱3,382.8 million in 2011 from ₱4,120.9 million in 2010 due to the net loss for the period April 1, 2010 to March 31, 2011.

***Bac-Man Geothermal Inc.***

***March 2011 Results***

(Amounts in PHP millions)	<b>March 2011</b>
Expenses	(2.1)
Other income	0.7
Operating loss	(1.4)
Benefit from income tax	0.1
Net loss	(1.3)
Total Current Assets	58.4
Total Non-Current Assets	1,809.2
Total Current Liabilities	1,901.2
Total Capital Deficiency	(33.6)

*\*BGI was incorporated in the Philippines on April 7, 2010.*

As of the first quarter of 2011, BGI has not yet started commercial operations.

Expenses incurred mainly due to general and administrative activities (₱2.1 million), pertaining to issuance costs for the performance bond related to acquisition of power plants.

Current assets consist primarily of advances made to contractors on purchase of services (₱48.2 million) while the bulk of non-current assets are property, plant, and equipment (₱1,740.2 million).

Liabilities pertain to the cash support provided by the Parent Company to BGI (₱1,865.0 million), payables to other affiliates (₱2.3 million), and trade and other payables (₱33.9 million).

Capital Deficiency consists of a deficit (₱33.9 million) less issued common stocks (₱0.3 million).

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

As of March 31, 2011, the company has unserved purchase orders and awarded contracts for the purchase of various capital goods in the total amount of ₱2,744.9 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 ₱24,804.9 million in long-term US dollar and Yen denominated loans as of March 31, 2011, of which 81.7% is US dollar denominated.

To partially mitigate foreign exchange risk, the Company entered into agreement with various counterparty banks covering dual currency deposits, foreign currency forward contracts and foreign exchange swap contracts.

### **OTHER MATTERS**

#### **CASH DIVIDEND**

On March 25, 2011, the BOD of the Parent Company approved the following cash dividends in favor of all stockholders of record as of March 29, 2011 and payable on or before April 22, 2011:

- cash dividend of ₱0.0008 per share on the preferred shares
- regular cash dividend of ₱0.16 per share on the common shares.

## MAJOR STOCKHOLDERS

As of March 31, 2011, the total number of stockholders was 712 and the stock price was ₱6.01.

### List of Top 20 Stockholders as of March 31, 2011

Rank	Name	Nationality	Number of Shares			%
			Preferred	Common	Total	
1	Red Vulcan Holdings Corporation	Filipino	9,375,000,000	7,500,000,000	16,875,000,000	60.00%
2	PCD Nominee Corporation	Foreign		7,840,606,142	7,840,606,142	27.88%
3	PCD Nominee Corporation	Filipino		2,573,295,521	2,573,295,521	9.15%
4	First Gen Corporation	Filipino		593,182,700	593,182,700	2.11%
5	Spathodea Campanulata, Inc.	Filipino		100,000,000	100,000,000	0.36%
6	Philhealth Care, Inc.	Filipino		63,725,350	63,725,350	0.23%
7	Cesar C. Cruz &/or Librada T. Cruz	Filipino		20,000,000	20,000,000	0.07%
8	Systems Technology Institute, Inc.	Filipino		12,745,200	12,745,200	0.05%
9	Federico R. Lopez	Filipino		7,092,501	7,092,501	0.03%
10	Peter D. Garrucho, Jr.	Filipino		5,545,000	5,545,000	0.02%
11	Ernesto B. Rufino, Jr.	Filipino		3,775,000	3,775,000	0.01%
12	Benjamin K. Liboro	Filipino		3,525,500	3,525,500	0.01%
13	Hi-Light Corporation	Filipino		1,577,500	1,577,500	0.01%
14	Mapazon Corporation	Filipino		1,470,000	1,470,000	0.01%
15	Ronaldo C. Sabella	Filipino		1,147,500	1,147,500	0.00%
16	CROSLO Holdings Corporation	Filipino		1,000,000	1,000,000	0.00%
17	Arthur A. Deguia	Filipino		950,000	950,000	0.00%
18	Tan Ben Kuan	Filipino		875,000	875,000	0.00%
19	ALG Holdings Corporation	Filipino		875,000	875,000	0.00%
20	Rosalind Camara	Filipino		663,750	663,750	0.00%

## BOARD OF DIRECTORS

As of March 31, 2011, the members of Board of Directors of EDC are as follows:

Oscar M. Lopez	Chairman Emeritus
Federico R. Lopez	Chairman and Chief Executive Officer
Peter D. Garrucho, Jr.	Director
Elpidio L. Ibañez	Director
Ernesto B. Pantangco	Director and Executive Vice President
Francis Giles B. Puno	Director
Richard B. Tantoco	Director, President and Chief Operating Officer
Jonathan C. Russell	Director
Edgar O. Chua	Independent Director
Francis Ed. Lim	Independent Director

## OFFICERS

As of March 31, 2011, the officers of EDC are as follows:

<b>Name</b>	<b>Position</b>
Federico R. Lopez	Chief Executive Officer
Richard B. Tantoco	President and Chief Operating Officer
Ernesto B. Pantangco	Executive Vice President
Agnes C. de Jesus	Senior Vice President for Environmental and External Affairs and Compliance Officer
Nestor H. Vasay	Senior Vice President, Chief Financial Officer and Treasurer
Marcelino M. Tongco	Senior Vice President for Steam Field Operations
Manuel S. Ogena	Senior Vice President for Technical Services
Danilo C. Catigtig	Senior Vice President for Power Generation
Glenn I. Funk	Vice President for Supply Chain Management
Ernesto G. Espinosa	Vice President for Human Resource Management
Vincent Martin C. Villegas	Vice President for Business Development
Erwin O. Avante	Vice President for Corporate Finance
Ellsworth R. Lucero	Vice President – Power
Dwight A. Maxino	Vice President - So. Negros Geothermal Project
Manuel C. Paete	Vice President - Leyte Geothermal Project
Liberato S. Virata	Vice President - Bacon-Manito Geothermal Project
Maribel A. Manlapaz	Comptroller
Teodorico Jose R. Delfin	Corporate Secretary
Ana Maria A. Katigbak-Lim	Assistant Corporate Secretary
Glenn L. Tee	Senior Manager, Internal Audit
Erudito S. Recio	Senior Manager, Investor Relations

**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 CORPORATION**

  
NESTOR H. VASAY  
Senior Vice President and Chief Financial Officer

May 11, 2011  
Date Signed

  
AGNES C. DE JESUS  
Senior Vice President and Compliance Officer

May 11, 2011  
Date Signed

# Annex I

Energy Development Corporation  
and Subsidiaries  
*A Subsidiary of Red Vulcan Holdings Corporation*

Unaudited Interim Condensed  
Consolidated Financial Statements  
March 31, 2011 and 2010  
*(With Comparative Figures as of December 31, 2010)*

**ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES****UNAUDITED INTERIM CONSOLIDATED  
STATEMENTS OF FINANCIAL POSITION****MARCH 31, 2011 AND 2010****(With Comparative Figures as of December 31, 2010)**

	<b>March 31, 2011 (Unaudited)</b>	<b>December 31, 2010 (Audited)</b>	<b>March 31, 2010 (Restated, Unaudited)</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Notes 5 and 32)	<b>₱19,814,618,839</b>	₱6,157,925,132	₱13,739,137,557
Trade and other receivables (Notes 6 and 32)	<b>2,922,268,849</b>	4,602,047,375	6,005,231,152
Available-for-sale (AFS) investments (Note 32)	<b>690,344,012</b>	707,524,992	729,691,852
Parts and supplies inventories (Notes 7 and 32)	<b>2,641,149,059</b>	2,577,442,827	1,978,332,003
Derivative assets (Note 32)	<b>11,789,416</b>	-	11,936,960
Due from related parties (Notes 23 and 32)	-	-	1,879,065
Other current assets	<b>853,618,425</b>	733,797,284	321,262,099
<b>Total Current Assets</b>	<b>26,933,788,600</b>	14,778,737,610	22,787,470,688
<b>Noncurrent Assets</b>			
Property, plant and equipment – net (Note 8)	<b>58,160,864,628</b>	56,679,162,602	56,968,616,322
Goodwill and water rights (Note 9)	<b>4,518,994,137</b>	4,543,041,926	4,615,185,294
Deferred tax assets – net (Note 22)	<b>987,867,438</b>	893,702,182	1,160,683,232
Exploration and evaluation assets	<b>1,201,456,358</b>	1,170,407,115	1,046,304,246
Derivative assets (Note 32)	-	-	854,234
Other noncurrent assets – net (Note 10)	<b>3,523,767,037</b>	3,238,541,427	1,373,755,163
<b>Total Noncurrent Assets</b>	<b>68,392,949,598</b>	66,524,855,252	65,165,398,491
<b>TOTAL ASSETS</b>	<b>₱95,326,738,198</b>	₱81,303,592,862	₱87,952,869,179

**LIABILITIES AND EQUITY****Current Liabilities**

Loan payable (Note 32)	<b>₱90,000,000</b>	₱175,000,000	₱225,850,000
Trade and other payables (Notes 11 and 32)	<b>8,165,973,118</b>	5,123,491,686	6,770,335,118
Income tax payable	<b>239,681,571</b>	71,247,509	273,335,925
Due to related parties (Notes 23 and 32)	<b>317,844,137</b>	335,650,484	342,513,806
Derivative liabilities (Note 32)	<b>3,641,161</b>	-	8,624,881
Current portion of:			
Long-term debts (Notes 13 and 32)	<b>1,970,025,253</b>	1,527,248,370	16,448,262,368
Royalty fee payable (Notes 12 and 32)	<b>277,493,584</b>	254,155,199	264,523,897
<b>Total Current Liabilities</b>	<b>11,064,658,824</b>	7,486,793,248	24,333,445,995

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)	March 31, 2010 (Unaudited)
<b>Noncurrent Liabilities</b>			
Long-term debts - net of current portion (Notes 13 and 32)	51,487,181,072	39,678,699,478	29,642,881,180
Asset retirement obligations (Notes 3 and 8)	321,147,548	-	-
Royalty fee payable - net of current portion (Notes 12 and 32)	217,825,561	300,628,373	491,221,240
Deferred tax liabilities – net (Note 22)	-	-	22,057,462
Net retirement and other post- employment benefits	1,298,609,476	1,307,137,045	1,331,039,795
Other long-term liabilities	252,689,302	291,353,661	291,042,125
<b>Total Noncurrent Liabilities</b>	<b>53,577,452,959</b>	<b>41,577,818,557</b>	<b>31,778,241,802</b>
<b>Total Liabilities</b>	<b>64,642,111,783</b>	<b>49,064,611,805</b>	<b>56,111,687,797</b>
<b>Equity</b> (Note 14)			
Attributable to Equity Holders of the Parent Company:			
Preferred stock	93,750,000	93,750,000	93,750,000
Common stock	18,750,000,000	18,750,000,000	18,750,000,000
Common shares in employee trust account	(377,483,019)	(379,219,785)	(391,643,364)
Additional paid-in capital	6,266,341,978	6,266,099,283	6,262,027,052
Equity reserve	(3,706,430,769)	(3,706,430,769)	(3,706,430,769)
Net accumulated unrealized gain on AFS investments	110,290,794	119,718,797	122,483,506
Cumulative translation adjustment	1,370,000	1,370,000	-
Retained earnings	7,898,784,383	9,524,603,810	8,674,969,414
	<b>29,036,623,367</b>	<b>30,669,891,336</b>	<b>29,805,155,839</b>
Non-controlling interest	1,648,003,048	1,569,089,721	2,036,025,543
<b>Total Equity</b>	<b>30,684,626,415</b>	<b>32,238,981,057</b>	<b>31,841,181,382</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱95,326,738,198</b>	<b>₱81,303,592,862</b>	<b>₱87,952,869,179</b>

*See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.*

**ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE PERIODS ENDED MARCH 31, 2011 AND 2010**

	2011	2010 (Restated)
<b>REVENUES</b> (Note 4)		
Sale of electricity	P 5,798,160,507	P6,542,950,511
Sale of steam	-	440,026,992
Revenue from drilling services	154,616,637	177,501,110
	<b>5,952,777,144</b>	<b>7,160,478,613</b>
<b>OPERATING EXPENSES</b>		
Operations and maintenance (Note 16)	(1,633,261,633)	(1,125,106,146)
General and administrative (Note 17)	(829,298,355)	(756,103,080)
Purchased services and utilities (Note 15)	(391,355,251)	(340,026,894)
Depreciation and amortization (Notes 4 and 8)	(906,034,567)	(853,438,443)
	<b>(3,759,949,806)</b>	<b>(3,074,674,563)</b>
<b>FINANCIAL INCOME (EXPENSES)</b>		
Interest income (Notes 4 and 20)	123,917,688	135,316,792
Interest expense (Notes 4 and 19)	(1,038,921,265)	(863,985,744)
	<b>(915,003,577)</b>	<b>(728,668,952)</b>
<b>OTHER INCOME (CHARGES)</b> (Note 4)		
Foreign exchange gains - net (Note 18)	188,561,127	674,792,573
Derivatives gain (loss) - net	37,553,046	(5,438,076)
Miscellaneous – net	30,702,512	3,147,128
	<b>256,816,685</b>	<b>672,501,625</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,534,640,446</b>	<b>4,029,636,723</b>
<b>PROVISION FOR INCOME TAX</b>		
Current	(168,434,061)	(206,935,867)
Deferred	88,156,761	(53,647,824)
	<b>(80,277,300)</b>	<b>(260,583,691)</b>
<b>NET INCOME</b>	<b>P1,454,363,146</b>	<b>P3,769,053,032</b>
<b>Net income attributable to:</b>		
Equity Holders of the Parent Company	P 1,377,942,120	P3,262,788,606
Non-controlling interest	76,421,026	506,264,426
	<b>P 1,454,363,146</b>	<b>P3,769,053,032</b>
<b>Basic/Diluted Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company</b> (Note 21)	<b>P0.073</b>	<b>P0.174</b>

*See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.*

**ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES**

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**UNAUDITED INTERIM CONSOLIDATED  
STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE PERIODS ENDED MARCH 31, 2011 AND 2010**

	<b>2011</b>	2010 (Restated)
<b>Net Income</b>	<b>₱1,454,363,146</b>	₱3,769,053,032
<b>Other comprehensive income</b>		
Unrealized gain (loss) on AFS investments	(9,428,003)	9,306,183
<b>Total comprehensive income</b>	<b>₱1,444,935,143</b>	₱3,778,359,215
<b>Total comprehensive income attributable to:</b>		
Equity Holders of the Parent Company	₱1,368,514,117	₱3,272,094,789
Non-controlling interest	76,421,026	506,264,426
	<b>₱1,444,935,143</b>	₱3,778,359,215

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*See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.*

**ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIODS ENDED MARCH 31, 2011 AND 2010**

Equity Attributable to Equity Holders of the Parent Company

	Preferred Stock	Common Stock	Common Shares in Trust Account	Additional Paid-in Capital	Equity Reserve	Net Accumulated Unrealized Gain on AFS Investments	Cumulative Translation Adjustment	Retained Earnings	Subtotal	Non-controlling Interest	Total Equity
<b>Balances, December 31, 2009</b>	<b>₱93,750,000</b>	<b>₱18,750,000,000</b>	<b>(₱391,643,364)</b>	<b>₱6,262,027,052</b>	<b>(₱3,706,430,769)</b>	<b>₱113,177,323</b>	<b>₱-</b>	<b>₱7,669,894,141</b>	<b>₱28,790,774,383</b>	<b>₱1,529,761,117</b>	<b>₱30,320,535,500</b>
Total comprehensive income:											
Net income	-	-	-	-	-	-	-	3,262,788,606	3,262,788,606	506,264,426	3,769,053,032
Changes in fair value of AFS investments recognized in equity	-	-	-	-	-	9,306,183	-	-	9,306,183	-	9,306,183
	-	-	-	-	-	9,306,183	-	3,262,788,606	3,272,094,789	506,264,426	3,778,359,215
Documentary stamp tax on:											
Preferred shares subscription	-	-	-	-	-	-	-	(131,250)	(131,250)	-	(131,250)
Common shares subscription	-	-	-	-	-	-	-	(1,248,750)	(1,248,750)	-	(1,248,750)
Cash dividends	-	-	-	-	-	-	-	(2,256,333,333)	(2,256,333,333)	-	(2,256,333,333)
<b>Balances, March 31, 2010</b>	<b>₱93,750,000</b>	<b>₱18,750,000,000</b>	<b>(₱391,643,364)</b>	<b>₱6,262,027,052</b>	<b>(₱3,706,430,769)</b>	<b>₱122,483,506</b>	<b>₱-</b>	<b>₱8,674,969,414</b>	<b>₱29,805,155,839</b>	<b>₱2,036,025,543</b>	<b>₱31,841,181,382</b>
<b>Balances, December 31, 2010, as previously reported</b>	<b>₱93,750,000</b>	<b>₱18,750,000,000</b>	<b>(₱379,219,785)</b>	<b>₱6,266,099,283</b>	<b>(₱3,706,430,769)</b>	<b>₱119,718,797</b>	<b>₱1,370,000</b>	<b>₱9,524,603,810</b>	<b>₱30,669,891,336</b>	<b>₱1,569,089,721</b>	<b>₱32,238,981,057</b>
Adjustment on FG Hydro's net income	-	-	-	-	-	-	-	3,738,452	3,738,452	2,492,301	6,230,753
<b>Balances, December 31, 2010, as restated</b>	<b>93,750,000</b>	<b>18,750,000,000</b>	<b>(379,219,785)</b>	<b>6,266,099,283</b>	<b>(3,706,430,769)</b>	<b>119,718,797</b>	<b>1,370,000</b>	<b>9,528,342,262</b>	<b>30,673,629,788</b>	<b>1,571,582,022</b>	<b>32,245,211,810</b>
Total comprehensive income:											
Net income	-	-	-	-	-	-	-	1,377,942,120	1,377,942,120	76,421,026	1,454,363,146
Changes in fair value of AFS investments recognized in equity	-	-	-	-	-	(9,428,003)	-	-	(9,428,003)	-	(9,428,003)
	-	-	-	-	-	(9,428,003)	-	1,377,942,120	1,368,514,117	76,421,026	1,444,935,143
Cash dividend (Note 28)	-	-	-	-	-	-	-	(3,007,500,000)	(3,007,500,000)	-	(3,007,500,000)
Share-based payment	-	-	1,736,766	464,953	-	-	-	-	2,201,719	-	2,201,719
Deferred tax effect of share-based payment	-	-	-	(222,258)	-	-	-	-	(222,258)	-	(222,258)
<b>Balances, March 31, 2011</b>	<b>₱93,750,000</b>	<b>₱18,750,000,000</b>	<b>(₱377,483,019)</b>	<b>₱6,266,341,978</b>	<b>(₱3,706,430,769)</b>	<b>₱110,290,794</b>	<b>₱1,370,000</b>	<b>₱7,898,784,383</b>	<b>₱29,036,623,367</b>	<b>₱1,648,003,048</b>	<b>₱30,684,626,415</b>

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

**ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIODS ENDED MARCH 31, 2011 AND 2010**

	2011	2010 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱1,534,640,446</b>	₱4,029,636,723
Adjustments for:		
Interest expense (Notes 4 and 19)	<b>1,038,921,265</b>	863,985,744
Depreciation and amortization (Notes 4 and 8)	<b>906,034,567</b>	853,438,443
Unrealized foreign exchange losses (gains)	<b>(179,415,157)</b>	(710,626,698)
Interest income (Notes 4 and 20)	<b>(123,917,688)</b>	(135,316,792)
Derivatives loss (gain) - net	-	5,438,076
Provision for retirement and post-employment benefits	<b>70,459,883</b>	93,955,258
Provision for share-based benefit cost	<b>2,201,719</b>	-
Loss on retirement of property, plant and equipment	<b>207,660</b>	-
Profit on storehouse items - inventory variations	<b>(3,926,511)</b>	-
<b>Operating income before working capital changes</b>	<b>3,245,206,184</b>	5,000,510,754
Decrease (increase) in:		
Trade and other receivables (Notes 6 and 32)	<b>1,296,889,303</b>	360,982,422
Parts and supplies inventories (Note 7)	<b>(59,779,721)</b>	(31,452,353)
Due from related parties (Note 23)	-	(1,879,065)
Other current assets	<b>(1,669,438)</b>	(180,263,549)
Increase (decrease) in:		
Trade and other payables (Notes 11 and 32)	<b>(204,340,380)</b>	(531,005,722)
Due to related parties (Note 23)	<b>(19,044,294)</b>	(18,668,547)
Royalty fee payable (Note 12)	<b>(69,140,651)</b>	(70,041,753)
<b>Cash generated from operations</b>	<b>4,188,121,003</b>	4,528,182,187
Interest and financing charges paid	<b>(550,254,169)</b>	(603,331,541)
Retirement and other post-retirement benefits paid	<b>(80,000,000)</b>	(33,632,222)
<b>Net cash flows from operating activities</b>	<b>3,557,866,834</b>	3,891,218,424
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment (Note 8)	<b>(2,106,030,465)</b>	(828,687,405)
Interest received	<b>129,296,048</b>	127,037,206
Decrease (increase) in:		
Exploration and evaluation assets	<b>(2,044,119)</b>	3,137,133
Other noncurrent assets (Note 10)	<b>(300,127,644)</b>	(9,732,266)
<b>Net cash flows from (used in) investing activities</b>	<b>(2,278,906,180)</b>	(708,245,332)

	2011	2010 (Restated)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from:		
Short-term loans	-	P463,840,000
Long-term debts (Note 13)	<b>13,350,000,000</b>	-
Payments of:		
Short-term loans	<b>(85,000,000)</b>	(230,650,000)
Long-term debts (Note 13)	<b>(618,105,082)</b>	(697,522,659)
Documentary stamp	-	(1,380,000)
Increase in other long-term liabilities (Note 23)	<b>(38,664,359)</b>	(175,837,856)
Net cash flows (used in) financing activities	<b>12,608,230,559</b>	(641,550,515)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>13,887,191,213</b>	2,541,422,577
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		
<b>ON CASH AND CASH EQUIVALENTS</b>	<b>(230,497,506)</b>	(23,182,178)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>6,157,925,132</b>	11,220,897,158
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>P19,814,618,839</b>	P13,739,137,557

*See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.*

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

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

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**1. Corporate Information**

Energy Development Corporation [formerly Energy Development (EDC) Corporation] (the “Parent Company” or “EDC”) is a subsidiary of Red Vulcan Holdings Corporation (Red Vulcan). The Parent Company and its subsidiaries (collectively hereinafter referred to as the “Company”), were separately incorporated and registered with the Philippine Securities and Exchange Commission (SEC) except for Energy Development (EDC) Corporation Chile Limitada (EDC Chile Limitada) which was incorporated in Santiago, Chile. Below are the Parent Company’s ownership interests in its subsidiaries:

	Percentage of Ownership			
	2011		2010	
	Direct	Indirect	Direct	Indirect
EDC Geothermal Corp. (EGC) [Formerly First Luzon Geothermal Energy Corporation (FL Geothermal)]	100.00%	–	100.00%	–
Green Core Geothermal Inc. (GCGI)	–	100.00%	–	100.00%
Bac-Man Geothermal Inc. (BGI) **	–	100.00%	–	100.00%
Unified Leyte Geothermal Energy Inc. (ULGEI) **	–	100.00%	–	100.00%
EDC Chile Limitada **	99.99%	0.01%	99.99%	0.01%
Southern Negros Geothermal, Inc. (SNGI) *		100.00%	–	–
EDC Mindanao Geothermal Inc. (EMGI) *		100.00%	–	–
EDC Drillco Corporation (EDC Drillco) ***	100.00%	–	100.00%	–
First Gen Hydro Power Corporation (FG Hydro)	60.00%	–	60.00%	–
EDC Wind Energy Holdings Inc. (EWEHI) **	100.00%	–	100.00%	–
EDC Burgos Wind Power Corporation (EBWPC) **	33.33%	66.67%	33.33%	66.67%

\*Incorporated in 2011 and has not yet started commercial operations.

\*\*Incorporated in 2010 and has not started commercial operations.

\*\*\*Incorporated in 2009 and has not started commercial operations.

Beginning December 13, 2006, the common shares of EDC were listed and traded on the Philippine Stock Exchange (PSE). Up to November 2007, EDC was 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 Red Vulcan (a Philippine corporation). Red Vulcan was then a wholly owned subsidiary of First Gen Corporation (First Gen, a publicly listed Philippine corporation) through Prime Terracota Holdings Corporation (Prime Terracota). First Gen’s indirect interest in EDC consists of 6.0 billion common shares and 7.5 billion preferred shares. Control was then established through First Gen’s 60% indirect voting interest in EDC. Meanwhile, First Philippine Holdings Corporation (First Holdings) directly owns 66.2% of the common shares of First Gen. Accordingly, First Holdings became then the ultimate parent of the Company.

On May 12, 2009, First Gen’s indirect 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. As a result of this transaction, Prime Terracota replaced First Holdings as the ultimate parent of EDC effective May 12, 2009.

The Parent Company operates 12 geothermal projects in five geothermal service contract areas, namely Leyte Geothermal Production Field (LGPF), Southern Negros Geothermal Production Field (SNGPF), BacMan Geothermal Production Field (BGPF), Mindanao Geothermal Production Field (MGPF) and Northern Negros Geothermal Production Field (NNGPF) under the Geothermal Service Contracts (GSCs) entered into with the Department of Energy (DOE) pursuant to the provisions of Presidential Decree (P.D.) 1442. These GSCs were replaced by Geothermal Renewable Energy Service Contracts (GRESCs) on October 23, 2009 under the following project names and DOE Certificate of Registrations:

- Tongonan Geothermal Project, Under DOE Certificate of Registration No. GRESA 2009-10-001
- Southern Negros Geothermal Project, Under DOE Certificate of Registration No. GRESA 2009-10-002
- Bacon-Manito Geothermal Project, Under DOE Certificate of Registration No. GRESA 2009-10-003
- Mt. Apo Geothermal Project, Under DOE Certificate of Registration No. GRESA 2009-10-004
- Northern Negros Geothermal Project, Under DOE Certificate of Registration No. GRESA 2009-10-005

Geothermal steam produced are partly sold to the National Power Corporation (NPC) while the remainder are fed to the Parent Company and subsidiary's 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 the July 29, 2010 annual stockholders meeting, the stockholders approved the amendment of the Parent Company's name from Energy Development (EDC) Corporation to Energy Development Corporation. The SEC approved the change of the Parent Company's name on November 5, 2010.

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 buys from and sells electricity to the 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 being the investment holding company of its wholly owned subsidiaries, namely GCGI, BGI and ULGEI. It also has a 0.01% stake in EDC Chile Limitada.

GCGI was incorporated on June 22, 2009 with primary activities on power generation, transmission, distribution, and other energy related businesses. GCGI is currently operating the 192.5 MW Palinpinon and 112.5 MW Tongonan 1 geothermal power plants in Negros Oriental and Leyte following its successful acquisition from the Power Sector Assets and Liabilities Management Corporation (PSALM) in 2009.

EDC Drillco 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.

BGI was incorporated on April 7, 2010 primarily to carry on the general business of generating, transmitting, and/or distributing energy. BGI has successfully acquired the 150 MW Bac-Man Geothermal Power Plants from PSALM in 2010. The Bac-Man Geothermal Power Plants are currently under rehabilitation to restore capacity and reliability

EWEHI is a holding company incorporated on April 15, 2010.

EBWPC is a company incorporated on April 13, 2010 to carry on the general business of generating, transmitting, and/or distributing energy.

ULGEI is a company incorporated on June 23, 2010 to carry on the general business of generating, transmitting, and/or distributing energy.

EDC Chile Limitada is a limited liability company incorporated on February 11, 2010 in Santiago, Chile with the purpose of exploring, evaluating and extracting any mineral or substance to generate geothermal energy.

On February 4, 2011, the SEC approved the incorporation of Southern Negros Geothermal, Inc. and EDC Mindanao Geothermal Inc. which are wholly owned subsidiaries of EGC to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

On March 8, 2011, the SEC approved the change of FL Geothermal's corporate name to EDC Geothermal Corp. (EGC).

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

The consolidated financial statements were reviewed and recommended for approval by the Audit and Governance Committee to the Board of Directors (BOD) on May 6, 2011. The same consolidated financial statements were also approved and authorized for issuance by the BOD on May 9, 2011.

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## 2. **Basis of Preparation**

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) 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 consolidated financial statements as at December 31, 2010.

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for parts and supplies inventories that have been measured at lower of cost or net realizable value and derivative instruments and AFS investments that have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine peso (Peso), which is the Parent Company's functional currency. All values are rounded to the nearest peso, except when otherwise indicated.

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### 3. Significant Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed 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, 2010, except for the adoption of the following new and amended accounting standards that became effective beginning January 1, 2011.

- *PAS 24, Related Party Disclosures (Amended)*  
The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Company does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.
- *PAS 32, Financial Instruments: Presentation (Amendment) - Classification of Rights Issues*  
The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.
- *Philippine Interpretation IFRIC 14 (Amendment) - Prepayments of a Minimum Funding Requirement*  
The amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.
- *Philippine Interpretation IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments*  
Philippine Interpretation IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in consolidated statement of income.

*Improvements to PFRS (issued in May 2010)*

Improvements to IFRS is an omnibus of amendments to PFRS. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011. The Company expects no impact on the consolidated financial statements from the adoption of the following amendments:

- PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

*Asset Retirement Obligations*

The Company recognizes the liability to dismantle any installation in a contract area and restore such sites to their original condition at the end of the period when contractually obligated. As such, the Company records the liability measured at the present value of the estimated costs of these obligations and capitalizes such costs as part of the balance of the related item of property, plant and equipment. The amount of asset retirement obligations are accreted and such accretion is recognized as interest expense.

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#### 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.

The Company's identified operating segments below are consistent with the segments reported to the BOD, which is the Chief Operating Decision Maker (CODM) of the Company.

- a. Electricity segment - These are EDC's power plants covered mainly by long-term PPAs with NPC, FG Hydro's spot sales to and buying from the WESM and with various distribution utilities covered by Bilateral Contract Quantities (BCQ) and GCGI's sales to various NPC-assigned customers covered by Power Supply Contracts and contracted customers covered by Power Supply Agreement (PSA).
- b. Steam segment - These relate to sale of steam to NPC plants covered by SSAs. The remaining agreements are those for the Bacman geothermal production steam fields.
- c. All other segments - These relate to segment performing drilling services for Lihir Gold Ltd.

The Company has one geographical segment since it derives principally all its revenues from domestic operations. Revenue from drilling services outside the Philippines is not material. 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. All of the Company's operations are in the Philippines and revenues generated are from domestic operations except for revenue from drilling services, included in "All Other Segments" category, which is from foreign services rendered to Lihir Gold Ltd.

Segment performance is evaluated based on net income (loss) for the period and earnings before interest, taxes, and depreciation and amortization (EBITDA). Net income (loss) for the period is measured consistent with consolidated net income (loss) in the unaudited interim condensed consolidated financial statements. EBITDA is calculated as total revenues minus total operating expenses except non-cash items such as depreciation and amortization, impairment loss on property, plant and equipment, and loss on disposal of property, plant and equipment of a subsidiary among others.

NPC is the main customer for the electricity segment which comprised 59.33% of the total electricity revenue for the period ended March 21, 2011 and the only external customer for the steam segment, particularly for the Bacman power plants. Following the acquisition by BGI of these power plants in September 2010 and the subsequent major rehabilitation of these assets, the Parent Company ceased to bill NPC.

Financial information on the operating segments are summarized as follows:

	Electricity	Steam	All Other Segments	Eliminations	Total
<b>Period Ended March 31, 2011</b>					
Segment revenue from external customers	<b>₱5,798,160,507</b>	<b>₱-</b>	<b>₱154,616,637</b>	<b>₱-</b>	<b>₱5,952,777,144</b>
Intersegment revenue	<b>91,806,053</b>	<b>1,660,839,611</b>	<b>-</b>	<b>(1,752,645,664)</b>	<b>-</b>
Total segment revenue	<b>5,889,966,560</b>	<b>1,660,839,611</b>	<b>154,616,637</b>	<b>(1,752,645,664)</b>	<b>5,952,777,144</b>
Segment expenses	<b>(4,213,935,041)</b>	<b>(1,129,639,133)</b>	<b>(156,365,836)</b>	<b>1,752,645,664</b>	<b>(3,747,294,346)</b>
Segment results	<b>₱1,676,031,519</b>	<b>₱531,200,478</b>	<b>(₱1,749,199)</b>	<b>₱-</b>	<b>2,205,482,798</b>
Unallocated segment expenses					(12,655,460)
Unallocated interest income					123,917,688
Unallocated interest expense					(1,038,921,265)
Unallocated other income - net					256,816,685
Unallocated income taxes					(80,277,300)
Net income					<b>₱1,454,363,146</b>
<b>EBITDA</b>	<b>₱2,494,844,455</b>	<b>₱682,332,853</b>	<b>₱2,121,254</b>	<b>₱-</b>	<b>₱3,179,298,562</b>
Unallocated expenses					(12,647,397)
					<b>₱3,166,651,165</b>
<b>Period Ended March 31, 2010</b>					
Segment revenue from external customers	₱6,542,950,511	₱440,026,992	₱177,501,110	₱-	₱7,160,478,613
Intersegment revenue	53,995,845	1,156,941,625	-	(1,210,937,470)	-
Total segment revenue	6,596,946,356	1,596,968,617	177,501,110	(1,210,937,470)	7,160,478,613
Segment expenses	(3,462,824,540)	(653,289,033)	(166,823,704)	1,210,937,470	(3,071,999,807)
Segment results	<b>₱3,134,121,816</b>	<b>₱943,679,584</b>	<b>₱10,677,406</b>	<b>₱-</b>	<b>4,088,478,806</b>
Unallocated segment expenses					(2,674,756)
Unallocated interest income					135,316,792
Unallocated interest expense					(863,985,744)
Unallocated other income - net					672,501,625
Unallocated income taxes					(260,583,691)
Net income					<b>₱3,769,053,032</b>
<b>EBITDA</b>	<b>₱3,871,897,459</b>	<b>₱1,056,383,657</b>	<b>₱13,674,064</b>	<b>₱-</b>	<b>₱4,941,955,180</b>
Unallocated expenses					(2,668,921)
					<b>₱4,939,286,259</b>
<b>As of and for the period ended March 31, 2011</b>					
Segment assets	<b>₱61,597,449,482</b>	<b>₱9,618,650,230</b>	<b>₱1,480,493,610</b>	<b>₱-</b>	<b>₱72,696,593,322</b>

	Electricity	Steam	All Others	Eliminations	Total
Unallocated corporate assets					22,630,144,876
Total assets					P95,326,738,198
Segment liabilities	P29,949,753,553	P15,116,620,550	P1,410,603,574	P-	P46,476,977,677
Unallocated corporate liabilities					18,165,134,106
Total liabilities					P64,642,111,783
Capital expenditure	P1,102,774,920	P912,609,564	P25,210,223	P-	P2,040,594,707
Unallocated capital expenditure					65,435,758
Total capital expenditure					P2,106,030,465
Depreciation and amortization	(P808,953,941)	(P93,202,110)	(P3,870,453)	P-	(P906,026,504)
Unallocated depreciation and amortization					(8,063)
Total depreciation and amortization					(P906,034,567)
Impairment loss	P-	P-	P-	P-	P-
Other non-cash items	(P59,413,749)	(P78,269,018)	(P167,375)	P-	(P137,850,142)
Unallocated non-cash items					179,415,157
Total other non-cash items					P41,565,015
As of and for the year ended					
December 31, 2010					
Segment assets	P61,887,182,131	P8,739,317,275	P1,477,083,683	P-	P72,103,583,089
Unallocated corporate assets					9,200,009,773
Total assets					P81,303,592,862
Segment liabilities	P29,974,801,728	P14,735,627,501	P1,375,234,436	P-	P46,085,663,665
Unallocated corporate liabilities					2,978,948,140
Total liabilities					P49,064,611,805
Capital expenditure	P4,960,911,113	P1,916,413,339	P125,180,894	P-	P7,002,505,346
Unallocated capital expenditure					91,205,270
Total capital expenditure					P7,093,710,616
Depreciation and amortization	(P3,165,734,160)	(P275,082,901)	(P4,164,781)	P-	(P3,444,981,842)
Unallocated depreciation and amortization					(22,788)
Total depreciation and amortization					(P3,445,004,630)
Impairment loss	P3,390,000,000	P-	P-	P-	P3,390,000,000
Other non-cash items	(P3,640,935,233)	(P181,051,208)	(P4,297,625)	P-	(P3,826,284,066)
Unallocated non-cash items					1,689,402,806
Total other non-cash items					(P2,136,881,260)
As of and for the period ended					
March 31, 2010					
Segment assets	P53,031,207,981	P9,974,128,803	P556,697,272	P-	P63,562,034,056
Unallocated corporate assets					24,390,835,123
Total assets					P87,952,869,179
Segment liabilities	P34,692,159,360	P12,996,266,918	P1,175,380,994	P-	P48,863,807,272
Unallocated corporate liabilities					7,247,880,525
Total liabilities					P56,111,687,797
Capital expenditure	P454,975,692	P302,131,548	P41,443,947	P-	P798,551,187
Unallocated capital expenditure					30,136,217
Total capital expenditure					P828,687,404
Depreciation and amortization	(P737,746,533)	(P112,689,417)	(P2,996,658)	P-	(P853,432,608)
Unallocated depreciation and amortization					(5,835)
Total depreciation and amortization					(P853,438,443)
Impairment loss	P-	P-	P-	P-	P-
Other non-cash items	(P50,897,659)	(P34,978,546)	(P6,969,148)	P-	(92,845,353)
Unallocated non-cash items					738,385,488
					P645,540,135

The following table shows the Company's reconciliation of EBITDA to the consolidated net income for the periods ended March 31, 2011 and 2010.

	2011	2010
EBITDA	<b>₱3,166,651,165</b>	₱4,939,286,259
Add (Deduct):		
Depreciation and amortization	<b>(906,034,567)</b>	(853,438,443)
Net reduction in allowance (provision) for doubtful accounts	<b>(106,846,824)</b>	(43,766)
Reduction in allowance for/write-off of (provision for) impairment of parts and supplies inventories	<b>39,057,564</b>	-
Interest income	<b>123,917,688</b>	135,316,792
Interest expense	<b>(1,038,921,265)</b>	(863,985,744)
Foreign exchange gains (losses) – net	<b>188,561,127</b>	674,792,573
Derivatives gain (loss) – net	<b>37,553,046</b>	(5,438,076)
Provision for income tax	<b>(80,277,300)</b>	(260,583,691)
Miscellaneous – net	<b>30,702,512</b>	3,147,128
Consolidated net income	<b>₱1,454,363,146</b>	₱3,769,053,032

The Parent Company has intersegment revenue from/to GCGI for the sale of steam/electricity. Intersegment revenues are all eliminated in consolidation. Segment information is measured in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements. Intersegment revenue are made at normal commercial terms and conditions.

Unallocated expenses pertain to expenses of the corporate, technical and administrative support groups while unallocated corporate assets and liabilities which include among others certain cash and cash equivalents, property, plant and equipment, parts and supplies inventories, trade and other payables and retirement and post-retirement benefits, pertain to the Head Office and are managed on a group basis.

## 5. Cash and Cash Equivalents

This account consists of the following:

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)	March 31, 2010 (Unaudited)
Cash on hand and in banks	<b>₱6,045,602,577</b>	₱425,895,226	₱1,468,036,339
Cash equivalents	<b>13,769,016,262</b>	5,732,029,906	12,271,101,218
	<b>₱19,814,618,839</b>	₱6,157,925,132	₱13,739,137,557

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents consist of money market placements, which are made for varying periods of up to three months depending on the immediate cash requirements of the Company.

## 6. Trade and Other Receivables

This account consists of the following:

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)	March 31, 2010 (Unaudited)
Trade (Forward)	<b>₱2,887,790,210</b>	₱4,449,033,196	₱5,817,225,960

	<b>March 31, 2011 (Unaudited)</b>	December 31, 2010 (Audited)	March 31, 2010 (Unaudited)
<b>Others:</b>			
Non-trade accounts receivable	<b>49,750,536</b>	73,070,811	89,905,989
Loans and notes receivables	<b>61,134,558</b>	61,297,851	67,599,100
Advances to employees	<b>37,937,045</b>	30,389,460	27,476,498
Employee receivables	<b>11,871,083</b>	18,728,878	12,459,619
Claims receivable	<b>133,971</b>	133,971	161,868
<b>Total other receivables</b>	<b>160,827,193</b>	183,620,971	197,603,074
	<b>3,048,617,403</b>	4,632,654,167	6,014,829,034
Less allowance for doubtful accounts	<b>126,348,554</b>	30,606,792	9,597,882
	<b>P2,922,268,849</b>	P4,602,047,375	P6,005,231,152

Trade receivables are noninterest-bearing and are generally collectible in 30 to 60 days.

Majority of the Company's trade receivables are collectible from NPC. All revenues from sale of steam and majority of the revenues from sale of electricity were derived from NPC.

#### 7. Parts and Supplies Inventories

	<b>March 31, 2011 (Unaudited)</b>	December 31, 2010 (Audited) (Restated, Unaudited)	March 31, 2010 (Unaudited)
<b>On hand:</b>			
Drilling tubular products and equipment spares	<b>P877,612,431</b>	P784,091,559	P684,556,279
Power plant spares	<b>686,567,074</b>	434,541,821	670,231,055
Pump, production/steam gathering system, steam turbine, valves and valve spares	<b>289,300,841</b>	378,024,500	247,750,842
Chemical, chemical products, gases and catalyst	<b>299,237,727</b>	378,798,354	153,651,729
Heavy equipment spares	<b>51,862,247</b>	51,758,570	54,557,007
Electrical, cable, wire product and compressor spares	<b>62,641,357</b>	102,394,673	42,464,984
Measuring instruments, indicators and tools, safety equipment and supplies	<b>32,916,255</b>	50,870,815	26,870,881
Automotive, mechanical, bearing, seals, v-belt, gasket, tires and batteries	<b>28,807,947</b>	92,344,107	25,607,658
Construction and hardware supplies, stationeries and office supplies, hoses, communication and other spares and supplies	<b>11,755,922</b>	29,463,704	11,238,210
	<b>2,340,701,801</b>	2,302,288,103	1,916,928,645
<b>In transit</b>	<b>300,447,258</b>	275,154,724	61,403,358
	<b>P2,641,149,059</b>	P2,577,442,827	P1,978,332,003

Inventories in transit include items not yet received but ownership or title to the goods has already passed to the Company.

## 8. Property, Plant and Equipment

March 31, 2011 (Unaudited)												
	Power Plants	FCRS and Production Wells	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	Asset Retirement	Total
<b>Cost:</b>												
Balance at January 1, 2011	₱36,607,352,559	₱17,392,141,146	₱1,798,591,947	₱3,803,840,502	₱67,240,415	₱495,684,907	₱456,421,470	₱333,924,551	₱53,030,079	₱5,097,727,288	₱-	₱66,105,954,864
Additions	261,371	-	13,497,880	49,377,301	15,425,418	6,623,952	41,237,370	40,121,285	-	1,939,485,888	-	2,106,030,465
Retirements/Write-off	-	-	(1,705,554)	(3,120,271)	(4,055,609)	(10,499,892)	(1,433,168)	-	3,009,451	-	-	(17,805,043)
Reclassifications	454,450,823	26,476,972	4,599,864	29,120	-	309,152	-	-	-	(482,497,695)	281,265,337	284,633,573
Balance at March 31, 2011	37,062,064,753	17,418,618,118	1,814,984,137	3,850,126,652	78,610,224	492,118,119	496,225,672	374,045,836	56,039,530	6,554,715,481	281,265,337	68,478,813,859
<b>Accumulated depreciation and impairment:</b>												
Balance at January 1, 2011	4,054,656,188	3,256,620,699	287,626,673	1,462,628,729	42,658,867	233,098,900	89,502,206	-	-	-	-	9,426,792,262
Depreciation for the period	553,216,554	174,605,975	25,302,147	74,766,797	2,587,646	19,760,051	13,679,967	-	-	-	18,067,641	881,986,778
Retirements/Write-off	-	-	(926,227)	(3,111,807)	(4,055,603)	(8,599,554)	(904,192)	-	-	-	-	(17,597,383)
Reclassifications	-	-	(224,954)	30,077,561	(71,589)	(2,913,898)	(99,546)	-	-	-	-	26,767,574
Balance at March 31, 2011	4,607,872,742	3,431,226,674	311,777,639	1,564,361,280	41,119,321	241,345,499	102,178,435	-	-	-	18,067,641	10,317,949,231
<b>Net book value</b>	<b>₱32,454,192,011</b>	<b>₱13,987,391,444</b>	<b>₱1,503,206,498</b>	<b>₱2,285,765,372</b>	<b>₱37,490,903</b>	<b>₱250,772,620</b>	<b>₱394,047,237</b>	<b>₱374,045,836</b>	<b>₱56,039,530</b>	<b>₱6,554,715,481</b>	<b>₱263,197,696</b>	<b>₱58,160,864,628</b>

December 31, 2010 (Audited)												
	Power Plants	FCRS and Production Wells	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	Asset Retirement	Total
<b>Cost</b>												
Balances at January 1, 2010, as previously reported	₱35,191,229,893	₱14,407,980,612	₱4,538,078,209	₱3,652,656,063	₱77,778,578	₱418,525,551	₱420,446,221	₱333,082,705	₱86,852,124	₱3,449,685,161	₱-	₱62,576,315,117
Purchase Price Allocation Adjustment	(2,371,304,218)	-	(260,474,935)	(36,829,233)	137,700	3,594,776	(219,017,417)	-	-	-	-	(2,883,893,327)
Balances at January 1, 2010, as restated	32,819,925,675	14,407,980,612	4,277,603,274	3,615,826,830	77,916,278	422,120,327	201,428,804	333,082,705	86,852,124	3,449,685,161	-	59,692,421,790
Acquisition through business combination	-	-	-	-	-	-	-	-	-	1,279,725,000	-	1,279,725,000
Additions	120,898,606	-	77,126,525	246,843,928	13,414,527	88,905,171	53,170,073	841,846	30,858,430	5,183,251,812	-	5,815,310,918
Retirements/Write-off	(451,492,400)	-	(66,310,776)	(16,453,349)	(21,174,438)	(18,700,917)	(5,057,652)	-	3,405,825	-	-	(575,783,707)
Reclassifications	4,118,020,678	2,984,160,534	(2,489,827,076)	(42,376,907)	(2,915,952)	3,360,326	206,880,245	-	(68,086,300)	(4,814,934,685)	-	(105,719,137)
Balances at December 31, 2010	36,607,352,559	17,392,141,146	1,798,591,947	3,803,840,502	67,240,415	495,684,907	456,421,470	333,924,551	53,030,079	5,097,727,288	-	66,105,954,864
<b>Accumulated Depreciation and Impairment</b>												
Balances at January 1, as previously reported	429,218,860	326,670,521	601,372,567	1,046,773,307	56,213,112	178,822,767	60,057,192	-	-	-	-	2,699,128,326
Purchase Price Allocation Adjustment	24,679,917	-	(4,105,168)	(1,958,690)	7,650	206,003	(6,244,929)	-	-	-	-	12,584,783
Balances at January 1, as restated	453,898,777	326,670,521	597,267,399	1,044,814,617	56,220,762	179,028,770	53,812,263	-	-	-	-	2,711,713,109
Depreciation for the year	2,212,876,258	645,100,713	98,887,909	276,606,163	6,202,475	68,386,772	40,753,183	-	-	-	-	3,348,813,473
Impairment - NNGP	1,105,150,535	2,284,849,465	-	-	-	-	-	-	-	-	-	3,390,000,000
Retirements/Write-off	(90,905,093)	-	(26,841,654)	(15,826,915)	(20,893,155)	(14,871,292)	(5,057,596)	-	-	-	-	(174,395,705)
Reclassifications	373,635,711	-	(381,686,981)	157,034,864	1,128,785	554,650	(5,644)	-	-	-	-	150,661,385
Balances at December 31, 2010	4,054,656,188	3,256,620,699	287,626,673	1,462,628,729	42,658,867	233,098,900	89,502,206	-	-	-	-	9,426,792,262
<b>Net Book Value</b>	<b>₱32,552,696,371</b>	<b>₱14,135,520,447</b>	<b>₱1,510,965,274</b>	<b>₱2,341,211,773</b>	<b>₱24,581,548</b>	<b>₱262,586,007</b>	<b>₱366,919,264</b>	<b>₱333,924,551</b>	<b>₱53,030,079</b>	<b>₱5,097,727,288</b>	<b>₱-</b>	<b>₱56,679,162,602</b>

March 31, 2010 (Restated, Unaudited)

	Power Plants	FCRS and Production Wells	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	Asset Retirement	Total
Cost:												
Balances at January 1, 2010, as previously reported	₱35,191,229,893	₱14,407,980,612	₱4,538,078,209	₱3,652,656,063	₱77,778,578	₱418,525,551	₱420,446,221	₱333,082,705	₱86,852,124	₱3,449,685,161	₱-	₱62,576,315,117
Purchase Price Allocation Adjustment	(2,371,304,218)	-	(260,474,935)	(36,829,233)	137,700	3,594,776	(219,017,417)	-	-	-	-	(2,883,893,327)
Balances at January 1, 2010, as restated	32,819,925,675	14,407,980,612	4,277,603,274	3,615,826,830	77,916,278	422,120,327	201,428,804	333,082,705	86,852,124	3,449,685,161	-	59,692,421,790
Additions	-	-	6,942,303	72,294,999	1,165,599	9,852,844	9,616,361	887,490	1,314,679	726,613,130	-	828,687,405
Retirements/Write-off	-	-	-	(90,742)	(574,567)	(210,989)	-	-	68,073	-	-	(808,225)
Reclassifications	-	-	1,760,405,362	(2,332,933)	-	(266,196)	182,857	-	(1,110,105)	(1,760,234,777)	-	(3,355,792)
Balance at March 31, 2010	32,819,925,675	14,407,980,612	6,044,950,939	3,685,698,154	78,507,310	431,495,986	211,228,022	333,970,195	87,124,771	2,416,063,514	-	60,516,945,178
Accumulated depreciation and impairment:												
Balances at January 1, as previously reported	429,218,860	326,670,521	601,372,567	1,046,773,307	56,213,112	178,822,767	60,057,192	-	-	-	-	2,699,128,326
Purchase Price Allocation Adjustment	24,679,917	-	(4,105,168)	(1,958,690)	7,650	206,003	(6,244,929)	-	-	-	-	12,584,783
Balances at January 1, as restated	453,898,777	326,670,521	597,267,399	1,044,814,617	56,220,762	179,028,770	53,812,263	-	-	-	-	2,711,713,109
Depreciation for the period	514,405,483	149,306,889	70,719,399	69,027,587	1,286,999	16,114,018	8,530,279	-	-	-	-	829,390,654
Retirements/Write-off	-	-	-	(22,686)	(574,566)	(210,973)	-	-	-	-	-	(808,225)
Reclassifications	-	-	25,015	7,990,002	-	16,852	1,449	-	-	-	-	8,033,318
Balance at March 31, 2010	968,304,260	475,977,410	668,011,813	1,121,809,520	56,933,195	194,948,667	62,343,991	-	-	-	-	3,548,328,856
Net book value	₱31,851,621,415	₱13,932,003,202	₱5,376,939,127	₱2,563,888,634	₱21,574,115	₱236,547,319	₱148,884,031	₱333,970,195	₱87,124,771	₱2,416,063,514	₱-	₱56,968,616,322

Details of depreciation and amortization charges recognized in the statements of income are shown below:

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)	March 31, 2010 (Restated, Unaudited)
Property, plant and equipment	₱881,986,778	₱3,348,813,473	₱829,390,654
Water rights	24,047,789	96,191,157	24,047,789
	<b>₱906,034,567</b>	<b>₱3,445,004,630</b>	<b>₱853,438,443</b>
Operating expenses	₱846,433,105	₱3,236,938,415	₱805,963,184
General and administrative	59,601,462	208,066,215	47,475,259
	<b>₱906,034,567</b>	<b>₱3,445,004,630</b>	<b>₱853,438,443</b>

The asset retirement obligation pertains to the net present value of the estimated dismantling and restoration costs of steam field facilities of the Parent Company at the end of the contract period. As of March 31, 2011, the net book value of the asset retirement under the property, plant and equipment amounted to ₱263.20 million and the asset retirement obligations under noncurrent liabilities amounted to ₱321.15 million.

## 9. Goodwill and Water Rights

	March 31, 2011 (Unaudited)		
	Water Rights	Goodwill	Total
<b>Cost</b>			
<b>Balances at January 1, 2011 and March 31, 2011</b>	<b>2,404,778,918</b>	<b>2,535,051,530</b>	<b>4,939,830,448</b>
<b>Accumulated Amortization</b>			
<b>Balances at January 1, 2011</b>	<b>396,788,522</b>	<b>–</b>	<b>396,788,522</b>
<b>Amortization (Note 8)</b>	<b>24,047,789</b>	<b>–</b>	<b>24,047,789</b>
<b>Balances at March 31, 2011</b>	<b>420,836,311</b>	<b>–</b>	<b>420,836,311</b>
<b>Net Book Value</b>	<b>₱1,983,942,607</b>	<b>₱2,535,051,530</b>	<b>₱4,518,994,137</b>

	December 31, 2010 (Audited)		
	Water Rights	Goodwill	Total
<b>Cost</b>			
<b>Balances at January 1, 2010 and December 31, 2010</b>	<b>2,404,778,918</b>	<b>2,535,051,530</b>	<b>4,939,830,448</b>
<b>Accumulated Amortization</b>			
<b>Balances at January 1, 2010</b>	<b>300,597,365</b>	<b>–</b>	<b>300,597,365</b>
<b>Amortization (Note 8)</b>	<b>96,191,157</b>	<b>–</b>	<b>96,191,157</b>
<b>Balances at December 31, 2010</b>	<b>396,788,522</b>	<b>–</b>	<b>396,788,522</b>
<b>Net Book Value</b>	<b>₱2,007,990,396</b>	<b>₱2,535,051,530</b>	<b>₱4,543,041,926</b>

	March 31, 2010 (Restated, Unaudited)		
	Water Rights	Goodwill	Total
<b>Cost:</b>			
Balances at January 1, 2010, as previously reported	₱2,404,778,918	₱293,316,082	₱2,698,095,000
Purchase price allocation adjustment	–	2,241,735,448	2,241,735,448
Balances at January 1, 2010, as restated and March 31, 2010	2,404,778,918	2,535,051,530	4,939,830,448
<b>Accumulated amortization</b>			
Balance at January 1, 2010	300,597,365	–	300,597,365
Amortization	24,047,789	–	24,047,789
Balance at March 31, 2010	324,645,154	–	324,645,154
<b>Net book value</b>	<b>₱ 2,080,133,764</b>	<b>₱2,535,051,530</b>	<b>₱4,615,185,294</b>

#### 10. Other Noncurrent Assets

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)	March 31, 2010 (Unaudited)
Tax credit certificates	P1,338,884,446	P1,338,884,446	P-
Long-term receivables	47,592,135	36,567,506	34,430,744
Input VAT	1,389,050,323	1,105,783,755	744,957,534
Input VAT claims for refund	681,799,381	681,799,381	2,408,505,632
Prepaid expenses	26,591,467	15,532,903	46,371,239
Special deposits and funds	99,205,177	112,373,475	49,892,176
Others	66,106,209	61,956,464	42,989,082
	<b>3,649,229,138</b>	<b>3,352,897,930</b>	<b>3,327,146,407</b>
Less allowance for doubtful accounts	125,462,101	114,356,503	1,953,391,244
	<b>P3,523,767,037</b>	<b>P3,238,541,427</b>	<b>P1,373,755,163</b>

#### 11. Trade and Other Payables

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)	March 31, 2010 (Unaudited)
Accounts payable	P6,547,333,299	P3,931,068,832	P5,147,838,492
Accrued interest and guarantee fees	1,276,554,336	889,806,777	1,223,354,504
Withholding and other taxes payable	143,493,967	257,346,704	139,181,132
Deferred credits	16,081,114	6,446,576	89,861,740
SSS and other contributions payable	2,110,019	2,722,658	2,797,960
Other payables	180,400,383	36,100,139	167,301,290
	<b>P8,165,973,118</b>	<b>P5,123,491,686</b>	<b>P6,770,335,118</b>

Accounts payable - trade are noninterest-bearing and are normally settled on a 30 to 60 days payment term.

The accrued interest represents interest accrual on outstanding loans reckoning from the last payment date up to the financial reporting date. Guarantee fees are accruals of amounts due to the Philippine Government reckoning from the last payment date up to the financial reporting date.

#### 12. Royalty Fee Payable

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)	March 31, 2010 (Unaudited)
Due to DOE and LGU	P495,319,145	P554,783,572	P755,745,137
Less current portion	277,493,584	254,155,199	264,523,897
Noncurrent portion	<b>P217,825,561</b>	<b>P300,628,373</b>	<b>P491,221,240</b>

### 13. Long-term Debts

	<b>March 31, 2011 (Unaudited)</b>	December 31, 2010 (Audited)	March 31, 2010 (Unaudited)
Total Dollar-denominated debt	<b>₱20,259,768,324</b>	₱7,427,718,353	₱4,606,026,389
Total Japanese Yen-denominated debt	<b>4,545,174,289</b>	4,817,288,760	17,053,329,108
Total Peso-denominated debt	<b>28,652,263,712</b>	28,960,940,735	24,431,788,051
	<b>53,457,206,325</b>	41,205,947,848	46,091,143,548
Less current portion	<b>1,970,025,253</b>	1,527,248,370	16,448,262,368
Noncurrent portion	<b>₱51,487,181,072</b>	₱39,678,699,478	₱29,642,881,180

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=JPY82.871: USD1=PHP43.390 on March 31, 2011, USD1=JPY81.659: USD1=PHP43.840 on December 31, 2010 and USD1=JPY92.790: USD1=PHP45.170 on March 31, 2010).

### 14. Equity

As required under the Philippine Constitution, 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. The Parent Company is compliant with the said nationality requirement.

The common shares are majority held by Filipinos, with Red Vulcan holding six billion shares or an equivalent of 40% interest.

The ownership of the Parent Company's preferred shares is limited to Filipino citizens. The preferred shares have voting rights and subject to 8% cumulative interest. Red Vulcan holds the entire 9.4 billion preferred shares equivalent to 20% voting interest in EDC. The combined interest of Red Vulcan entitles it to 60% voting interest and 40% economic interest in EDC.

Issued and outstanding preferred and common shares as of March 31, 2011 and 2010 and December 31, 2010 are as follows:

	Number of Shares
Preferred stock - ₱0.01 par value per share	
Authorized	15,000,000,000
Issued and outstanding	9,375,000,000
Common stock - ₱1 par value per share	
Authorized	30,000,000,000
Issued and outstanding	18,750,000,000

The Parent Company had 712 common stockholders and one preferred stockholder as of March 31, 2011, 715 common stockholders and one preferred stockholder as of December 31, 2010 and 677 common stockholders and one preferred stockholder as of March 31, 2010.

**15. Purchased Services and Utilities**

	<b>March 31, 2011 (Unaudited)</b>	March 31, 2010 (Unaudited)
Purchased services	<b>₱130,600,414</b>	₱52,541,500
Professional and technical services	<b>121,267,737</b>	189,278,464
Purchased utilities	<b>74,428,160</b>	693,240
Rig mobilization charges	<b>28,898,636</b>	20,428,711
Contractual personnel costs	<b>17,982,150</b>	42,635,457
Hauling and handling costs	<b>15,523,770</b>	31,771,122
Others	<b>2,654,384</b>	2,678,400
	<b>₱391,355,251</b>	₱340,026,894

**16. Operations and Maintenance Expenses**

	<b>March 31, 2011 (Unaudited)</b>	March 31, 2010 (Unaudited)
Personnel costs	<b>₱478,486,127</b>	₱387,239,542
Rental, insurance and taxes	<b>396,693,117</b>	203,434,905
Repairs and maintenance	<b>375,571,156</b>	314,806,121
Parts and supplies issued	<b>326,914,364</b>	151,070,801
Government share	<b>52,434,057</b>	52,164,819
Business and related expenses	<b>3,162,812</b>	16,389,958
	<b>₱1,633,261,633</b>	₱1,125,106,146

**17. General and Administrative Expenses**

	<b>March 31, 2011 (Unaudited)</b>	March 31, 2010 (Unaudited)
Personnel costs	<b>₱262,780,652</b>	₱238,645,391
Rental, insurance and taxes	<b>188,658,513</b>	168,797,192
Purchased services and utilities	<b>201,228,706</b>	200,986,932
Business and related expenses	<b>54,603,221</b>	52,233,442
Parts and supplies issued	<b>36,142,442</b>	44,087,334
Repairs and maintenance	<b>18,050,319</b>	51,309,023
Provision for doubtful accounts	<b>106,846,824</b>	43,766
Reduction in allowance for impairment of parts and supplies	<b>(39,057,564)</b>	-
Others	<b>45,242</b>	-
	<b>₱829,298,355</b>	₱756,103,080

**18. Foreign Exchange Gains (Losses)**

	<b>March 31, 2011 (Unaudited)</b>	March 31, 2010 (Unaudited)
Foreign exchange gains (losses) on long-term loans	<b>₱530,964,770</b>	₱747,029,246
Foreign exchange losses on other accounts	<b>(342,403,643)</b>	(72,236,673)
	<b>₱188,561,127</b>	₱674,792,573

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 reported dates:

Currency	Equivalent to US\$1.00		
	<b>March 31, 2011</b>	December 31, 2010	March 31, 2010
Japanese Yen	<b>82.871</b>	81.659	92.790
Philippine Peso	<b>43.390</b>	43.840	45.170

**19. Interest Expense**

	<b>March 31, 2011 (Unaudited)</b>	March 31, 2010 (Unaudited)
Interest on long-term debt including amortization of transaction costs	<b>₱986,627,533</b>	₱843,946,481
Interest on loan payable	<b>782,375</b>	3,334,410
Interest accretion of asset retirement obligation	<b>39,882,211</b>	-
Interest accretion of "Day 1" gain	<b>9,676,224</b>	14,782,182
Interest on liability from litigation	<b>1,952,922</b>	1,922,671
	<b>1,038,921,265</b>	863,985,744

**20. Interest Income**

	<b>March 31, 2011 (Unaudited)</b>	March 31, 2010 (Unaudited)
Interest on placements	<b>₱104,916,197</b>	₱128,394,712
Interest on savings/current accounts	<b>4,020,311</b>	342,672
Interest on overdue accounts/others	<b>14,981,180</b>	571,494
Accretion of "day 1 loss" on NPC receivable	-	6,007,914
	<b>₱123,917,688</b>	₱135,316,792

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## 21. Earnings Per Share (EPS)

The EPS amounts were computed as follows:

	<b>March 31, 2011 (Unaudited)</b>	March 31, 2010 (Restated, Unaudited)
(a) Net income attributable to equity shareholders of the parent	<b>₱1,377,942,120</b>	₱3,262,788,606
Less dividends on preferred shares	<b>7,500,000</b>	7,500,000
(b) Net income attributable to common shareholders of the parent	<b>₱1,370,442,120</b>	₱3,255,288,606
(c) Weighted average numbers of shares for EPS	<b>18,750,000,000</b>	18,750,000,000
Basic/diluted EPS (b/c)	<b>₱0.073</b>	₱0.174

The Company does not have dilutive common stock equivalents.

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## 22. Income Tax

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

	<b>March 31, 2011 (Unaudited)</b>	December 31, 2010 (Audited)	March 31, 2010 (Restated, Unaudited)
Deferred tax assets-net	<b>₱987,867,438</b>	₱893,702,182	₱1,160,683,232
Deferred tax liabilities-net	-	-	(22,057,462)
	<b>₱987,867,438</b>	₱893,702,182	₱1,138,625,770

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## 23. 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 March 31, 2011 and 2010.

a. First Balfour, Inc. (First Balfour)

Following the usual bidding process in 2010, the Company awarded to First Balfour procurement contracts amounting to ₱217.67 million for various works such as Palinpinon 1

zero condensate disposal system, Civil, Structural and Mechanical/ Piping Works in Leyte and Bac-Man and refurbishment of BGI's geothermal power plants.

As of March 31, 2011, the outstanding balance of ₱63.23 million recorded under "Due to related parties" account pertained to the accrued progress billings of ₱54.60 million and payment retention of ₱8.63 million until such time the work acceptance certificate is issued.

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. This was increased to ₱11.8 million effective September 2009 to cover the cost of additional officers and staff assigned to the Parent Company.

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 of ₱504.14 million under the "Due to related parties" account as of December 31, 2009 was fully settled from April to July 2010.

c. IFC

The Parent Company entered into a loan agreement with the IFC, a shareholder of the Parent Company, on November 27, 2008 for US\$100.0 million or its peso equivalent of ₱4.1 billion. IFC has approximately 5% ownership interest in the Parent Company. On January 7, 2009, the Parent Company opted to draw the loan in peso and received the proceeds amounting to ₱4,048.75 million, net of ₱51.25 million front-end fee. As of March 31, 2011, the outstanding loan amounted to ₱4,036.16 million, net of unamortized transaction costs of ₱63.84 million, is included under the "Long-term debts" account in the consolidated statements of financial position.

The loan is payable in 24 equal semi-annual installments after a three-year grace period at an interest rate of 7.4% per annum for the first five years subject to repricing for another five to 10 years. Under the loan agreement, the Parent Company is restricted from creating liens and is subject to certain financial covenants.

d. Other Related Parties

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

Buang Private Power Corporation is a subsidiary of First Private Power Corporation, an associate of First Gen. First Gas Holdings Corporation and First Gas Power Corporation are subsidiaries of First Gen. First Holdings, parent company of First Gen, is an associate of Lopez Holdings Corporation.

Bayan Telecommunications Inc. (Bayantel) is 97.3%-owned by Bayantel Holdings on which Lopez Holdings Corporation has 47.3% ownership.

Sky Cable Corporation (Sky Cable) is 80.72%-owned by ABS-CBN Corp. on which Lopez Holdings Corporation has 57.3% interest.

First Philippine Realty Corp. (FPRC), formerly known as INAEC Development Corp, is a wholly owned subsidiary of First Holdings.

Following are the amounts of transactions for the periods ended March 31, 2011 and 2010 and outstanding balances as of March 31, 2011 and 2010 and December 31, 2010:

Related Party	Nature of Transaction	Transactions for the period ended March 31		Net amount Due from (to) Related Parties		
		2011	2010	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)	March 31, 2010 (Unaudited)
First Gen	Interest-free advances	<b>P-</b>	P1,879,065	<b>P-</b>	-	P1,879,065
First Gen	Interest-bearing advances (payment)	<b>P-</b>	(P191,919,949)	<b>P-</b>	<b>P-</b>	(P312,215,707)
	Consultancy fee	<b>38,731,765</b>	26,931,765	<b>(11,800,000)</b>	(23,600,000)	-
	Interest-free advances	<b>3,543,566</b>	2,709,905	<b>(238,065,454)</b>	(247,744,841)	-
First Balfour, Inc.	Steam augmentation contract in Leyte	<b>22,364,154</b>	15,310,083	<b>(63,233,022)</b>	(59,883,402)	(29,438,812)
Bayantel	Purchase of services and utilities	<b>2,968,487</b>	-	<b>(3,257,693)</b>	(3,169,012)	-
First Gas Holdings Corporation	Interest-free advances	<b>231,300</b>	123,450	<b>(1,431,150)</b>	(1,199,850)	(697,551)
First Gas Power Corporation	Interest-free advances	<b>11,433</b>	-	<b>(56,818)</b>	(45,385)	(150,677)
FPRC	Purchase of services and utilities	<b>1,306,265</b>	-	-	-	-
Lopez Group Foundation, Inc.	Interest-free advances	<b>75,000</b>	-	-	-	-
Sky Cable	Purchase of services and utilities	<b>6,482</b>	-	-	-	-
Red Vulcan	Interest-free advances	-	-	-	(7,994)	(11,059)
		<b>69,238,452</b>	(146,844,746)	<b>(317,844,137)</b>	(335,650,484)	(342,513,806)
IFC	Interest-bearing loans	<b>1,897,474</b>	-	<b>(4,036,164,381)</b>	(4,034,266,907)	(4,170,132,778)
		<b>P71,135,926</b>	(P146,844,746)	<b>(P4,354,008,518)</b>	(P4,369,917,391)	(P4,512,646,584)

EDC's subsidiary in Chile is participating in the bids for geothermal concession areas by the Chilean government. The bid rules call for the provision of proof of EDC Chile Limitada's financial capability to participate in said bids or evidence of financial support from its Parent Company. Letters of credit amounting to US\$80.0 million were issued by EDC in favor of EDC Chile Limitada as evidence of its financial support. There were no guarantees received from any related party.

The purchases from related parties are made at normal commercial terms and conditions. The amounts outstanding are unsecured and will be settled in cash. Except for the US\$80.0 million letters of credit issued by the Parent Company in favor of EDC Chile Limitada as mentioned above, there were no guarantees that have been given to or and received from any related party in 2010 and 2009.

The Company has not recognized any impairment losses on receivables from related parties as of March 31, 2011 and 2010 and December 31, 2010.

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**24. Explanatory Comments about the Seasonality or Cyclicity of Interim Operations**

Except for the hydro operations of First Gen Hydro, seasonality or cyclicity of interim operations is not applicable to the Parent Company's type of business because of the nature of its contracts with NPC and with ILECO, which includes guaranteed volume under the applicable take-or-pay, minimum energy off-take or contracted energy provisions. GCGI's sales to cooperatives and industries are also not subject to seasonality or cyclicity.

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**25. 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 Parent Company's issuance of the US\$300.0 million 6.50% Notes due 2021, there are no other assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the current period.

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**26. 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**

There are no significant changes in estimates of amounts during the current period as well as in the comparative period in 2010 with the exception of the recognition of asset retirement obligation as disclosed in Notes 3, 8 and 19.

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**27. Issuances, Repurchases, and Repayments of Debt and Equity Securities**

Except for the Parent Company's issuance of a ten-year US\$300.0 million Notes (₱13,350.0 million) at 6.50% interest per annum on January 20, 2011, there are no other issuances, repurchases and repayments of debt and equity securities during the current period.

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**28. Dividend Declarations**

Cash Dividends

On March 15, 2011, the BOD of the Parent Company approved the following cash dividends in favor of all stockholders of record as of March 29, 2011 and payable on or before April 22, 2011:

- cash dividend of ₱0.0008 per share on the preferred shares
- cash dividend of ₱0.16 per share on the common shares

On March 25, 2010, the BOD of the Parent Company approved the following cash dividends in favor of all stockholders of record as of April 13, 2010 and payable on or before April 30, 2010:

- cash dividend of ₱0.0008 per share on the preferred shares
- regular cash dividend of ₱0.12 per share on the common shares

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**29. 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 closure of the Parent Company's drilling business through its Well Construction Group effective as of the close of business hours on February 28, 2011, there are no material changes in the composition of the registrant during the period.

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**30. 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.

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**31. 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.

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**32. Financial Risk Management Objectives and Policies**

The Company's financial instruments consist mainly of 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.

Overview of the Company's Risk Management

The Company has an Enterprise Risk Management (ERM) System in place covering all areas of its organization, and it is aligned with ISO 31000:2009 (Risk Management - Principles and Guidelines).

The risk management process involves a systematic application of management policies, procedures, and practices to the activities of communicating, consulting, establishing the context, and identifying, analyzing, evaluating, treating, monitoring, and reviewing risk. It is aligned and integrated in the Company's business model through the annual Strategy Execution Process which integrates strategic planning, balanced scorecard, risk management, budget and performance management processes.

The implementation of the Company's ERM System provides the following benefits and advantages:

- a. Proactively identifies and manages the key exposures of the Company to protect corporate assets and profits by identifying and preventing risks before they occur. Thus, it helps avoid losses which can impair the operations or financial position of the Company in case of fortuitous events;
- b. Identifies and exploits areas of "risk-based advantage";
- c. Provides management at all levels with the required information to make informed decisions on issues critical to the success of the business and its projects;

- d. Establishes the accountability of risk owners in the management of risks;
- e. Provides balance in the management of risks and an objective basis for allocating resources;
- f. Ensures that efforts and initiatives are well-coordinated so that the Company does not manage risks in silo;
- g. Monitors the implementation and effectiveness of the risk treatment options;
- h. Ensures compliance with the policies and processes that are established to manage risks; and
- i. Reduces the reliance on increasingly expensive insurance protection. Insurance may provide the financial relief in case of loss. However, certain risks are not insurable, while some though insurable, may be too costly and uneconomical to insure.

#### Risk Assessment

One major activity in the Company's ERM System is the risk assessment. It is the overall process of risk identification, risk analysis, and risk evaluation (ISO 31000:2009). It is performed at the project level by project teams, at the operational level by the line and middle management, at the executive level by the Management Committee, and at the strategic level by the BOD through its Risk Management Committee.

#### Risk Treatment

Risk management strategies and action plans are formulated once the risks have been evaluated and the top risks have been identified. Risk treatment is a process to modify risk (ISO Guide 73:2009) and is synonymous with risk mitigation, risk elimination, risk prevention, and risk reduction. It can involve:

- a. Avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;
- b. Taking or increasing risk in order to pursue an opportunity;
- c. Removing the risk source;
- d. Changing the likelihood;
- e. Changing the consequences;
- f. Sharing the risk with another party or parties (including contracts and risk financing); and
- g. Retaining the risk by informed decision.

#### Financial Risk Management Policy

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

#### Credit Risk

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 receivable is equal to its carrying amount.

With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents excluding cash on hand, other receivables, AFS investments and derivatives assets, 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 before taking into account any collateral and other credit enhancements.

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)	March 31, 2010 (Unaudited)
Loans and receivables:			
Cash and cash equivalents*	P19,809,227,059	P6,152,532,452	P13,733,783,875
Trade receivables	2,761,441,656	4,418,426,404	5,807,628,080
Non-trade accounts receivables	49,750,536	73,070,811	89,905,989
Loans and notes receivables	61,134,558	61,297,851	67,599,100
Employee receivables**	28,952,730	37,757,241	35,807,725
Advances to employees	37,937,045	30,389,460	27,476,498
Long-term receivables	919,031	1,000,000	-
Royalty fee chargeable to NPC	-	-	1,529,568
Due from related parties	-	-	1,879,065
AFS investments:			
Debt investments	690,344,012	707,524,992	729,691,852
Equity investments	20,059,151	18,166,353	16,745,929
Financial assets at FVPL:			
Derivative assets	11,789,416	-	12,791,194
	<b>P23,471,555,194</b>	<b>P11,500,165,564</b>	<b>P20,524,838,875</b>

\*excluding cash on hand

\*\*Includes noncurrent portion of employee receivables included under other noncurrent assets - others.

The following tables show the Company's aging analysis of past due but not impaired financial assets as of March 31, 2011 and 2010 and December 31, 2010:

March 31, 2011 (Unaudited)							
	Neither Past Due nor Impaired	Past Due but Not Impaired			Over 3 Years	Past Due and Impaired	Total
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years			
<i>(In Thousand Pesos)</i>							
Loans and receivables:							
Cash and cash equivalents	P19,809,227	P-	P-	P-	P-	P-	P19,809,227
Trade receivables	2,489,998	29,266	228,578	-	13,600	126,349	2,887,791
Non-trade receivables	44,899	2	979	3,871	-	-	49,751
Loans and notes receivables	1,912	-	4,377	54,224	621	-	61,134
Employee receivables	28,953	-	-	-	-	-	28,953
Advances to employees	2,873	-	7,559	27,131	374	-	37,937
Long-term receivables	919	-	-	-	-	46,673	47,592
AFS investments:							
Debt investments	690,344	-	-	-	-	-	690,344
Equity investments	20,059	-	-	-	-	-	20,059
Derivative Assets	11,789	-	-	-	-	-	11,789
<b>Total</b>	<b>P23,100,973</b>	<b>P29,268</b>	<b>P241,493</b>	<b>P85,226</b>	<b>P14,595</b>	<b>P173,022</b>	<b>P23,644,577</b>

December 31, 2010 (Audited)							
	Neither Past Due nor Impaired	Past Due but Not Impaired			Over 3 Years	Past Due and Impaired	Total
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years			
<i>(In Thousand Pesos)</i>							
Loans and receivables:							
Cash and cash equivalents	P6,152,532	P-	P-	P-	P-	P-	P6,152,532
Trade receivables	4,078,000	1,684	221,256	117,486	-	30,607	4,449,033

December 31, 2010 (Audited)							
	Neither Past Due nor Impaired	Past Due but Not Impaired				Past Due and Impaired	Total
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
<i>(In Thousand Pesos)</i>							
Non-trade receivables	49,827	–	7,831	15,413	–	–	73,071
Loans and notes receivables	61,298	–	–	–	–	–	61,298
Employee receivables	37,757	–	–	–	–	–	37,757
Advances to employees	–	–	10,219	19,910	260	–	30,389
Long-term receivables	1,000	–	–	–	–	35,568	36,568
AFS investments:							
Debt investments	707,525	–	–	–	–	–	707,525
Equity investments	18,166	–	–	–	–	–	18,166
<b>Total</b>	<b>₱11,106,105</b>	<b>₱1,684</b>	<b>₱239,306</b>	<b>₱152,809</b>	<b>₱260</b>	<b>₱66,175</b>	<b>₱11,566,339</b>

March 31, 2010 (Unaudited)							
	Neither Past Due nor Impaired	Past Due but Not Impaired				Past Due and Impaired	Total
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
<i>(In Thousand Pesos)</i>							
Loans and receivables:							
Cash and cash equivalents	₱13,733,784	₱–	₱–	₱–	₱–	₱–	₱13,733,784
Trade receivables	4,700,380	988,430	112,267	6,551	–	9,598	5,817,226
Non-trade receivables	75,439	573	13,651	243	–	–	89,906
Loans and notes receivables	20,348	11	3,111	41,597	2,533	–	67,600
Employee receivables	35,808	–	–	–	–	–	35,808
Advances to employees	8,976	197	259	18,035	10	–	27,477
Long-term receivables	–	–	–	–	–	34,431	34,431
Royalty Fee Chargeable to NPC	1,530	–	–	–	–	–	1,530
Due from related parties	1,879	–	–	–	–	–	1,879
AFS investments:							
Debt investments	729,692	–	–	–	–	–	729,692
Equity investments	16,746	–	–	–	–	–	16,746
Financial assets at FVPL:							
Derivative assets	12,791	–	–	–	–	–	12,791
<b>Total</b>	<b>₱19,337,373</b>	<b>₱989,211</b>	<b>₱129,288</b>	<b>₱66,426</b>	<b>₱2,543</b>	<b>₱44,029</b>	<b>₱20,568,870</b>

#### 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 a 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 March 31, 2011 and 2010 and December 31, 2010, 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.

#### Foreign Currency Risk

The Company's exposure to foreign currency risk is mainly from the financial assets and liabilities that are denominated in US dollar and Japanese yen. This primarily arises from future payments of foreign-currency denominated loans 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 GRESCs (formerly GSC), 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 US 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.

The Company's foreign currency-denominated financial assets and liabilities (translated into Philippine peso) as of March 31, 2011 and 2010 and December 31, 2010 are as follows:

	March 31, 2011 (Unaudited)				March 31, 2010 (Unaudited)		
	Original Currency		Sweden Kroner (SEK)	Peso Equivalent <sup>1</sup>	Original Currency		
	Yen	US Dollar			Yen	US Dollar	Peso Equivalent <sup>2</sup>
<b>Financial Assets</b>							
Loans and receivables:							
Cash equivalents	-	20,850,000	-	904,681,500	-	70,643,377	3,190,961,343
Cash on hand and in banks	-	3,333,265	-	144,630,368	-	4,595,145	207,562,697
Trade and other receivables	-	2,336,589	-	101,384,597	-	3,922,125	177,162,404
AFS investments:							
Government debt securities	-	15,910,210	-	690,344,012	-	283,179	12,791,194
Financial assets at FVPL:							
Derivative assets	-	271,708	-	11,789,416	-	16,154,347	729,691,852
<b>Total financial assets</b>	<b>-</b>	<b>42,701,772</b>	<b>-</b>	<b>1,852,829,893</b>	<b>-</b>	<b>95,598,173</b>	<b>4,318,169,490</b>
<b>Current Financial Liabilities</b>							
Liabilities at amortized cost:							
Trade and other payables	12,970,435	19,527,509	1,589,150	867,173,871	15,340,980	2,105,899	102,591,397
Current portion of							
long-term debts	807,665,477	-	-	422,883,249	26,143,651,975	61,872,594	15,521,466,399
Due to related Parties	-	-	-	-	-	6,912,094	312,219,299
Accrued interest on long -							
term debts	403,868,726	5,387,969	-	445,244,442	528,442,287	2,482,324	369,371,299
Derivative Liability	-	83,917	-	3,641,159	-	190,943	8,624,881
<b>Total current financial liabilities</b>	<b>1,224,504,638</b>	<b>24,999,395</b>	<b>1,589,150</b>	<b>1,738,942,721</b>	<b>26,687,435,242</b>	<b>73,563,854</b>	<b>16,314,273,275</b>
<b>Noncurrent Financial Liabilities</b>							
Liabilities at amortized cost:							
Long-term debts - net of							
current portion	7,873,171,062	466,922,524	-	24,382,059,357	8,680,836,539	40,946,914	6,075,387,241
<b>Total financial liabilities</b>	<b>9,097,675,700</b>	<b>491,921,919</b>	<b>1,589,150</b>	<b>26,121,002,078</b>	<b>35,368,271,781</b>	<b>114,510,768</b>	<b>22,389,660,516</b>

<sup>1</sup>USD1=JPY82.871 as of March 31, 2011, USD1=SEK5.27 and USD1= P43.39 as of March 31, 2011

<sup>1</sup>USD1=JPY92.790 as of March 31, 2010 and USD1= P45.170 as of March 31, 2010

	December 31, 2010 (Audited)			
	Original Currency		Sweden Kroner (SEK)	Peso Equivalent <sup>1</sup>
	Yen	US Dollar		
<b>Financial Assets</b>				
Loans and receivables:				
Cash equivalents	-	3,340,000	-	146,425,600
Cash on hand and in banks	-	3,644,584	-	159,778,563
Trade and other receivables	-	4,279,825	-	187,627,528
AFS investments:				
Government debt securities	-	16,138,800	-	707,524,992
Financial assets at FVPL:				
Derivative assets	-	-	-	-
<b>Total financial assets</b>	<b>-</b>	<b>27,403,209</b>	<b>-</b>	<b>1,201,356,683</b>
<b>Current Financial Liabilities</b>				
Liabilities at amortized cost:				
Trade and other payables		11,589,841	12,443,772	3,976,330
Current portion of				
long-term debts		807,664,660	-	-
Due to related Parties		-	-	-
				578,828,344
				433,606,597

December 31, 2010 (Audited)				
	Original Currency			Peso Equivalent <sup>1</sup>
	Yen	US Dollar	Sweden Kroner (SEK)	
Accrued interest on long - term debts	457,836,928	1,559,537	-	314,166,560
<b>Total current financial liabilities</b>	<b>1,277,091,429</b>	<b>14,003,309</b>	<b>3,976,330</b>	<b>1,326,601,501</b>
<b>Noncurrent Financial Liabilities</b>				
Liabilities at amortized cost:				
Long-term debts - net of current portion	8,165,339,709	169,427,882	-	11,811,400,510
<b>Total financial liabilities</b>	<b>9,442,431,138</b>	<b>183,431,191</b>	<b>3,976,330</b>	<b>13,138,002,011</b>

<sup>1</sup>USD1=JPY81.659 as of December 31, 2010, USD1=SEK6.81 and USD1= P43.840 as of December 31, 2010

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar and Japanese yen exchange rates, with all other variables held constant, of the Company's profit before tax as at March 31, 2011 and 2010 and December 31, 2010 (arising from revaluation of monetary assets and liabilities and derivative instruments.)

March 31, 2011 (Unaudited)		
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax
USD	<b>10% or PHP4.40</b> <b>(10% or PHP4.40)</b>	<b>(P2,560,304,316)</b> <b>2,560,304,316</b>
JPY	<b>10% or PHP0.05818</b> <b>(10% or PHP0.04760)</b>	<b>(529,267,239)</b> <b>433,036,832</b>
SEK	<b>10% or PHP0.91482</b> <b>(10% or PHP0.74849)</b>	<b>(1,453,789)</b> <b>1,189,464</b>
December 31, 2010 (Audited)		
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax
USD	10% or PHP4.38 (10% or PHP4.38)	(P796,663,382) 796,663,382
JPY	10% or PHP0.05965 (10% or PHP0.04881)	(566,012,566) 463,101,190
SEK	10% or PHP0.70957 (10% or PHP0.58055)	(2,821,471) 2,308,476
March 31, 2010 (Unaudited)		
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax
USD	10% or PHP4.62 (10% or PHP4.62)	(P87,321,842) 79,777,570
JPY	10% or PHP0.05409 (10% or PHP0.04425)	(2,480,723,074) 2,029,682,515
EURO <sup>(a)</sup>	10% against USD (10% against USD)	8,366,292 (822,020)

### Equity Price Risk

Equity price risk is the risk that the fair values 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 March 31, 2011 and 2010 and December 31, 2010, 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 and AFS debt investments.

The interest rates of some of the Company's long-term borrowings and AFS debt investments are fixed at the inception of the loan agreement.

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.

Interest Rate Risk Table

The following tables provide for the effective interest rates and interest payments by period of maturity of the Company's long-term debts:

	Interest Rates	Within 1 Year	More than 1 year but less than 4 years	4-5 Years	More than 5 Years	Total
<b>March 31, 2011</b>						
<b>(Unaudited)</b>						
<b>Fixed Rate</b>						
OECF	3%-5.7%	₱9,443,044	₱17,556,550	₱4,813,545	₱20,271,423	₱52,084,562
JBIC(b) 21st yen	2.3% & 2.7%	112,946,671	295,022,974	84,264,290	452,678,103	944,912,038
PNB and Allied Bank	9.03%	442,550,903	1,135,576,892	295,004,688	670,476,024	2,543,608,507
IFC	7.40%	328,398,611	875,164,931	224,284,236	872,275,000	2,300,122,778
FRCN Series 1	8.37%	201,916,530	291,790,448	-	-	493,706,978
FRCN Series 2	9.40%	422,449,569	868,715,640	115,562,362	23,087,102	1,429,814,673
FRCN Series 3	8.43%	102,537,849	134,667,664	-	-	237,205,513
Peso Public Bonds						
Series 1	8.64%	734,553,000	2,203,659,000	367,276,500	-	3,305,488,500
Series 2	9.33%	326,644,500	979,933,500	326,644,500	326,644,500	1,959,867,000
USD 300.0 Notes	6.5%	846,105,000	2,538,315,000	846,105,000	4,230,525,000	8,461,050,000
<b>2010 Floating Rate</b>						
USD 175.0						
Syndicated Term Loan	3.25% + Libor	303,696,590	455,544,885	-	-	759,241,475

	Interest Rates	Within 1 Year	More than 1 year but less than 4 years	4-5 Years	More than 5 Years	Total
<b>December 31, 2010</b>						
<b>(Audited)</b>						
<b>Fixed Rate</b>						
OECF	3%-5.7%	₱10,371,578	₱18,488,771	₱4,992,596	₱21,212,798	₱55,065,743
JBIC(b) 21st yen	2.3% & 2.7%	119,136,041	313,725,243	89,806,538	506,205,123	1,028,872,945
PNB and Allied Bank	9.03%	442,550,903	1,135,576,892	295,004,688	670,476,024	2,543,608,507
IFC	7.40%	328,398,611	875,164,931	224,284,236	872,275,000	2,300,122,778
FRCN Series 1	8.37%	196,443,538	320,569,780	-	-	517,013,318
FRCN Series 2	9.40%	434,119,972	985,419,672	162,243,975	69,768,715	1,651,552,334
FRCN Series 3	8.43%	112,234,764	183,152,239	-	-	295,387,003
Peso Public Bonds						
Series 1	8.64%	734,553,000	2,570,935,500	-	-	3,305,488,500
Series 2	9.33%	326,644,500	1,143,255,750	326,644,500	163,322,250	1,959,867,000
<b>2010 Floating Rate</b>						
USD 175.0						
Syndicated Term Loan	3.25% + Libor	306,846,243	460,269,365	-	-	767,115,608

	Interest Rates	Within 1 Year	More than 1 Year but less than 4 Years	4-5 Years	More than 5 Years	Total
<i>In Pesos</i>						
March 31, 2010 (Unaudited)						
Fixed Rate						
Long-term debt:						
OEFC	3%–5.7%	₱57,832,852	₱14,679,007	₱10,390,903	₱23,322,465	₱106,225,228
JEXIM <sup>(a)</sup> 3747	3.5%	14,032,287	–	–	–	14,302,287
JBIC <sup>(b)</sup> 21 <sup>st</sup> yen	2.3% & 2.7%	111,377,118	203,090,878	176,214,284	499,216,116	989,898,396
Miyazawa II	2.37%	126,908,953	–	–	–	126,908,953
IFC	7.40%	328,398,611	614,029,097	525,471,944	1,096,559,236	2,564,458,888
Power Sector Assets and Liabilities Management Corporation (PSALM) Loan	12.00%	266,126,170	344,564,303	62,666,656	–	673,357,129
FRCN Series 1	8.37%	212,327,324	321,360,275	103,294,374	–	636,981,973
FRCN Series 2	9.4%	443,208,779	801,663,380	517,336,209	142,713,437	1,904,921,805
FRCN Series 3	8.43%	112,845,157	185,927,805	59,762,509	–	368,535,471
Public Bonds Series 1	8.64%	734,553,000	1,469,106,000	1,479,106,000	367,276,500	4,040,041,500
Public Bonds Series 2	9.33%	326,644,500	653,289,000	653,289,000	653,289,000	2,286,511,500
March 31, 2010 Floating Rate						
Long-term debt:						
IBRD	7.54%	83,169,044	–	–	–	83,169,044

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax and equity for the three month period ending March 31, 2011 and 2010 and for the year ending December 31, 2010. The effect also includes impact of changes in interest rates on derivatives.

<b>March 31, 2011 (Unaudited)</b>			
	<b>Increase/Decrease in Basis Points</b>	<b>Effect on Income Before Income Tax</b>	<b>Effect on Equity Excluding Income</b>
PHP	+100	(₱2,086,718)	
	-100	2,085,799	
USD	+100	(₱73,846,701)	(₱17,173,190)
	-100	73,845,782	20,147,216
<b>December 31, 2010 (Audited)</b>			
	<b>Increase/Decrease in Basis Points</b>	<b>Effect on Income Before Income Tax</b>	<b>Effect on Equity Excluding Income</b>
USD	+100	(₱76,720,000)	(₱19,027,873)
	-100	76,720,000	22,130,588
<b>March 31, 2010 (Unaudited)</b>			
	<b>Increase/Decrease in Basis Points</b>	<b>Effect on Income Before Income Tax</b>	<b>Effect on Equity Excluding Income</b>
USD	+100	(₱17,528,873)	(₱23,543,248)
	-100	17,557,338	26,844,409
JPY	+100	12,049,391	

March 31, 2010 (Unaudited)

	Increase/Decrease in Basis Points	Effect on Income Before Income Tax	Effect on Equity Excluding Income
	-100	(12,077,875)	-
EURO	+100	(135,669)	-
	-100	156,309	-

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 cash flows as of March 31, 2011 and 2010 and December 31, 2010.

March 31, 2011 (Unaudited)

	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousand Pesos)</i>							
AFS investments -							
Debt investments	<b>P690,344</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P690,344</b>
Loans and receivables -							
Cash equivalents	-	<b>13,769,016</b>	-	-	-	-	<b>13,769,016</b>
Financial Assets at FVPL-							
Derivative Assets		<b>11,789</b>					<b>11,789</b>
	<b>P690,344</b>	<b>P13,780,805</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P14,471,149</b>

December 31, 2010 (Audited)

	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousand Pesos)</i>							
AFS investments -							
Debt investments	<b>P707,525</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P707,525</b>
Loans and receivables -							
Cash equivalents	-	<b>5,732,030</b>	-	-	-	-	<b>5,732,030</b>
	<b>P707,525</b>	<b>P5,732,030</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P6,439,555</b>

March 31, 2010 (Unaudited)							
	On demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousand Pesos)</i>							
AFS Investments:							
Debt investments	₱729,692	₱-	₱-	₱-	₱-	₱-	₱729,692
Loans and receivables:							
Cash equivalents	-	12,108,601	162,500	-	-	-	12,271,101
<b>Total</b>	<b>₱729,692</b>	<b>₱12,108,601</b>	<b>₱162,500</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱13,000,793</b>

The table below summarizes the maturity analysis of the Company's financial liabilities as of March 31, 2011 and 2010 and December 31, 2010 based on contractual undiscounted payments:

March 31, 2011 (Unaudited)							
	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 Thousand Pesos)</i>							
<b>Liabilities at amortized cost:</b>							
Accounts payable	₱-	₱5,798,084	₱-	₱-	₱-	₱-	₱5,798,084
Accrued interest and guarantee fees	266,759	491,152	347,495	-	-	-	1,104,406
Other current liabilities	-	1,023	-	-	-	-	1,023
Short-term loan payable	-	90,000	-	-	-	-	90,000
Due to related parties	317,844	-	-	-	-	-	317,844
Royalty fee payable	-	42,426	175,000	86,421	224,073	-	527,920
Long-term debts	-	4,785,014	23,003,431	12,453,462	31,908,529	3,495,476	75,645,912
<b>Financial Liabilities at FVPL:</b>							
Derivative Liability	-	3,641	-	-	-	-	3,641
<b>Total</b>	<b>₱584,603</b>	<b>₱11,211,340</b>	<b>₱23,525,926</b>	<b>₱12,539,883</b>	<b>₱32,132,602</b>	<b>₱3,495,476</b>	<b>₱83,488,830</b>

December 31, 2010 (Audited)							
	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 Thousand Pesos)</i>							
<b>Liabilities at amortized cost:</b>							
Accounts payable	₱-	₱3,156,018	₱-	₱-	₱-	₱-	₱3,156,018
Accrued interest and guarantee fees	271,584	476,394	141,829	-	-	-	889,807
Other current liabilities	-	853	-	-	-	-	853
Short-term loan payable	-	175,000	-	-	-	-	175,000
Due to related parties	335,650	-	-	-	-	-	335,650
Royalty fee payable	-	87,500	87,500	175,000	311,573	-	661,573
Long-term debts	-	516,272	1,084,786	2,365,026	35,945,189	15,726,688	55,637,961
<b>Total</b>	<b>₱607,234</b>	<b>₱4,412,037</b>	<b>₱1,314,115</b>	<b>₱2,540,026</b>	<b>₱36,256,762</b>	<b>₱15,726,688</b>	<b>₱60,856,862</b>

March 31, 2010 (Unaudited)							
	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>							
<b>Liabilities at amortized cost:</b>							
Accounts payable – trade	₱-	₱4,994,023	₱-	₱-	₱-	₱-	₱4,994,023
Accrued interest and guarantee fees	129,873	894,085	199,397	-	-	-	1,223,355
Other current liabilities	-	8,979	-	-	-	-	8,979
Loan payable	-	-	-	-	-	-	-
Due to related parties	342,514	-	-	-	-	-	342,514
Royalty fee payable	-	87,500	87,500	175,000	611,928	-	961,928
Long-term debt	-	14,347,667	726,777	2,790,384	29,971,252	11,185,944	59,022,024
<b>Financial liability at FVPL:</b>							
Derivative liabilities	-	8,625	-	-	-	-	8,625
<b>Total</b>	<b>₱472,387</b>	<b>₱20,340,879</b>	<b>₱1,013,674</b>	<b>₱2,965,384</b>	<b>₱30,583,180</b>	<b>₱11,185,944</b>	<b>₱66,561,448</b>

**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 March 31, 2011 and 2010 and December 31, 2010.

	March 31, 2011 (Unaudited)		March 31, 2010 (Unaudited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	<b>₱19,814,618,839</b>	<b>₱19,814,618,839</b>	₱13,739,137,556	₱13,739,137,556
Trade receivables	<b>2,761,441,656</b>	<b>2,761,441,656</b>	5,807,628,080	5,807,628,080
Non-trade receivables	<b>49,750,536</b>	<b>49,750,536</b>	89,905,989	89,905,989
Loans and notes receivables	<b>61,134,558</b>	<b>61,134,558</b>	67,599,100	67,599,100
Employee receivables	<b>28,952,730</b>	<b>28,952,730</b>	35,807,725	35,807,725
Advances to employees	<b>37,937,045</b>	<b>37,937,045</b>	27,476,498	27,476,498
Long-term receivables	<b>919,031</b>	<b>872,568</b>	–	–
Royalty fee chargeable to NPC	–	–	1,529,568	1,529,568
Due from related parties	–	–	1,879,065	1,879,065
AFS investments:				
Debt investments	<b>690,344,012</b>	<b>690,344,012</b>	729,691,852	729,691,852
Equity investments	<b>20,059,151</b>	<b>20,059,151</b>	16,745,929	16,745,929
Financial assets at FVPL:				
Derivative assets	<b>11,789,416</b>	<b>11,789,416</b>	12,791,194	12,791,194
	<b>₱23,476,946,974</b>	<b>₱23,476,900,511</b>	₱20,530,192,556	₱20,530,192,556
<b>Financial Liabilities</b>				
Financial liabilities at amortized cost:				
Accounts payable	<b>₱5,798,083,773</b>	<b>₱5,798,083,773</b>	₱4,994,022,590	₱4,994,022,590
Accrued interest and guarantee fees	<b>1,276,554,336</b>	<b>1,276,554,336</b>	1,223,354,504	1,223,354,504
Other current liabilities	<b>1,022,811</b>	<b>1,022,811</b>	8,979,079	8,979,079
Short term loan payable	<b>90,000,000</b>	<b>90,000,000</b>	–	–
Due to related parties	<b>317,844,137</b>	<b>317,844,137</b>	342,513,806	342,513,806
Royalty fee payable	<b>495,319,145</b>	<b>503,054,037</b>	755,745,137	771,087,303
Long-term debts	<b>53,457,206,325</b>	<b>57,387,808,114</b>	46,091,143,548	51,227,369,004
Financial liabilities at FVPL -				
Derivative liabilities	<b>3,641,161</b>	<b>3,641,161</b>	8,624,881	8,624,881
	<b>₱61,439,671,688</b>	<b>₱65,378,008,369</b>	₱53,424,383,545	₱58,575,951,167

	December 31, 2010 (Audited)	
	Carrying Amount	Fair Value
<b>Financial Assets</b>		
Loans and receivables:		
Cash and cash equivalents	<b>₱6,157,925,132</b>	<b>₱6,157,925,132</b>
Trade receivables	<b>4,418,426,404</b>	<b>4,418,426,404</b>
Non-trade receivables	<b>73,070,811</b>	<b>73,070,811</b>
Loans and notes receivables	<b>61,297,851</b>	<b>61,297,851</b>
Employee receivables	<b>37,757,241</b>	<b>37,757,241</b>
Advances to employees	<b>30,389,460</b>	<b>30,389,460</b>
Long-term receivables	<b>1,000,000</b>	<b>942,912</b>
AFS investments:		
Debt investments	<b>707,524,992</b>	<b>707,524,992</b>
Equity investments	<b>18,166,353</b>	<b>18,166,353</b>
Financial assets at FVPL:		
Derivative assets	–	–
	<b>₱11,505,558,244</b>	<b>₱11,505,501,156</b>
<b>Financial Liabilities</b>		
Financial liabilities at amortized cost:		
Accounts payable	<b>₱3,156,017,521</b>	<b>₱3,156,017,521</b>

**December 31, 2010**  
**(Audited)**

	<b>Carrying Amount</b>	<b>Fair Value</b>
Accrued interest and guarantee fees	889,806,777	889,806,777
Other current liabilities	852,593	852,593
Short term loan payable	175,000,000	175,000,000
Due to related parties	335,650,484	335,650,484
Royalty fee payable	554,783,572	568,334,506
Long-term debts	41,205,947,848	45,500,550,049
	<b>₱46,318,058,795</b>	<b>₱50,626,211,930</b>

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, Due to Related Parties, Trade and Other Payables and Short-term Loan Payable*

These are instruments with relatively short maturity ranging from 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 of 3.01% and 2.94% in March 31, 2011 and December 31, 2010, respectively (nil in March 31, 2010).

*AFS Investments*

Fair values of quoted debt and equity 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*

The fair value of currency forwards was 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 Debts and Royalty Fee Payable*

The fair values for the Company's long-term debts are estimated using the discounted cash flow methodology with the applicable rates ranging from 2.06% to 10.57%, 2.18% to 9.73% and 0.16% to 6.89% in 2010 and 6.54% to 12.25% in March 31, 2011, December 31, 2010 and March 31, 2010, respectively. Fair values of royalty fee payable are determined using discount rates ranging from 4.07% to 6.04%, 3.05% to 4.94% and 4.22% to 4.97 % in March 31, 2011, December 31, 2010 and March 31, 2010, respectively.

The following tables show the fair value information of financial instruments classified under FVPL and AFS investments 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).

	March 31, 2011 (Unaudited)	Level 1	Level 2	Level 3	At Cost
AFS investments:					
Debt investments	<b>₱707,524,992</b>	<b>₱707,524,992</b>	₱-	₱-	₱-
Equity investments	<b>18,166,353</b>	<b>18,091,803</b>	-	-	<b>74,550</b>
December 31, 2010 (Audited)					
AFS investments:					
Debt investments	₱707,524,992	₱707,524,992	₱-	₱-	₱-
Equity investments	18,166,353	18,091,803	-	-	74,550
March 31, 2010 (Audited)					
Financial assets at FVPL:					
derivative assets	₱12,791,194	₱-	₱12,791,194	₱-	₱-
AFS investments:					
Debt investments	729,691,852	729,691,852	-	-	-
Equity investments	16,745,929	16,671,379	-	-	74,550

During 2011 and 2010, 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.

The Company classifies its financial instruments in the following categories.

	March 31, 2011 (Unaudited)					
	Loans and Receivables	AFS Investment s	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousand Pesos)</i>						
<b>Financial Assets</b>						
Cash and cash equivalents	<b>₱19,814,619</b>	₱-	₱-	₱-	₱-	<b>₱19,814,619</b>
Trade receivables	<b>2,761,442</b>	-	-	-	-	<b>2,761,442</b>
Non-trade receivables	<b>49,751</b>	-	-	-	-	<b>49,751</b>
Loans and notes receivables	<b>61,135</b>	-	-	-	-	<b>61,135</b>
Employee receivables	<b>28,953</b>	-	-	-	-	<b>28,953</b>
Advances to employees	<b>37,937</b>	-	-	-	-	<b>37,937</b>
Other long-term receivables	<b>919</b>	-	-	-	-	<b>919</b>
AFS - debt investments	-	<b>690,344</b>	-	-	-	<b>690,344</b>
AFS - equity investments	-	<b>20,059</b>	-	-	-	<b>20,059</b>
Derivative Assets	-	-	<b>11,789</b>	-	-	<b>11,789</b>
<b>Financial Liabilities</b>						
Accounts payable	-	-	-	<b>5,798,084</b>	-	<b>5,798,084</b>
Accrued interest and guarantee fees	-	-	-	<b>1,276,554</b>	-	<b>1,276,554</b>
Other current liabilities	-	-	-	<b>1,023</b>	-	<b>1,023</b>
Short-term loan payable	-	-	-	<b>90,000</b>	-	<b>90,000</b>
Due to related parties	-	-	-	<b>317,844</b>	-	<b>317,844</b>
Royalty fee payable	-	-	-	<b>495,319</b>	-	<b>495,319</b>
Long-term debts	-	-	-	<b>53,457,206</b>	-	<b>53,457,206</b>
Derivative Liabilities	-	-	-	-	<b>3,641</b>	<b>3,641</b>
<b>Total</b>	<b>₱22,754,756</b>	<b>₱710,403</b>	<b>₱11,789</b>	<b>₱61,436,030</b>	<b>₱3,641</b>	<b>₱84,916,619</b>

December 31, 2010 (Audited)						
	Loans and Receivables	AFS Investments	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousand Pesos)</i>						
<b>Financial Assets</b>						
Cash and cash equivalents	₱6,157,925	₱-	₱-	₱-	₱-	₱6,157,925
Trade receivables	4,418,426	-	-	-	-	4,418,426
Non-trade receivables	73,071	-	-	-	-	73,071
Loans and notes receivables	61,298	-	-	-	-	61,298
Employee receivables	37,757	-	-	-	-	37,757
Advances to employees	30,389	-	-	-	-	30,389
Other long-term receivables	1,000	-	-	-	-	1,000
AFS - debt investments	-	707,525	-	-	-	707,525
AFS - equity investments	-	18,166	-	-	-	18,166
<b>Financial Liabilities</b>						
Accounts payable	-	-	-	3,156,018	-	3,156,018
Accrued interest and guarantee fees	-	-	-	889,807	-	889,807
Other current liabilities	-	-	-	853	-	853
Short-term loan payable	-	-	-	175,000	-	175,000
Due to related parties	-	-	-	335,650	-	335,650
Royalty fee payable	-	-	-	554,784	-	554,784
Long-term debts	-	-	-	41,205,948	-	41,205,948
<b>Total</b>	<b>₱10,779,866</b>	<b>₱725,691</b>	<b>₱-</b>	<b>₱46,318,060</b>	<b>₱-</b>	<b>₱57,823,617</b>

March 31, 2010 (Unaudited)						
	Loans and Receivables	AFS Investments	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousand Pesos)</i>						
<b>Financial Assets</b>						
Cash and cash equivalents	₱13,739,138	₱-	₱-	₱-	₱-	₱13,739,138
Trade receivables	5,807,628	-	-	-	-	5,807,628
Non-trade receivables	89,906	-	-	-	-	89,906
Loans and notes receivables	67,599	-	-	-	-	67,599
Employee receivables	35,808	-	-	-	-	35,808
Advances to employees	27,476	-	-	-	-	27,476
Royalty Fee Chargeable to NPC	1,530	-	-	-	-	1,530
Due from related parties	1,879	-	-	-	-	1,879
AFS - debt investments	-	729,692	-	-	-	729,692
AFS - equity investments	-	16,746	-	-	-	16,746
Derivative assets	-	-	12,791	-	-	12,791
<b>Financial Liabilities</b>						
Accounts payable – trade	-	-	-	4,994,023	-	4,994,023
Accrued interest and guarantee fees	-	-	-	1,223,355	-	1,223,355
Other current liabilities	-	-	-	8,979	-	8,979
Due to related parties	-	-	-	342,514	-	342,514
Royalty fee payable	-	-	-	755,745	-	755,745
Long-term debt	-	-	-	46,091,144	-	46,091,144
Derivative liabilities	-	-	-	-	8,625	8,625
<b>Total</b>	<b>₱19,770,964</b>	<b>₱746,438</b>	<b>₱12,791</b>	<b>₱53,415,760</b>	<b>₱8,625</b>	<b>₱73,954,578</b>

The following table demonstrates the income, expense, gains or losses of the Company's financial instruments for the years ended March 31, 2011 and 2010 and December 31, 2010:

	March 31, 2011 (Unaudited)		December 31, 2010 (Audited)		March 31, 2010 (Unaudited)	
	Effect on Profit or Loss Increase (Decrease)	Effect on Equity Increase (Decrease)	Effect on Profit or Loss Increase (Decrease)	Effect on Equity Increase (Decrease)	Effect on Profit or Loss Increase (Decrease)	Effect on Equity Increase (Decrease)
<b>Loans and receivables</b>						
Interest income on cash in banks	<b>₱4,020,311</b>	₱–	₱6,336,497	₱–	₱342,672	₱–
Interest income on cash equivalents	<b>104,916,319</b>	–	311,947,757	–	128,394,712	–
Interest income on trade receivables	–	–	6,007,914	–	6,007,914	–
Interest income on employee receivables	–	–	1,063,286	–	38,147	–
Interest income on due from related parties	–	–	–	–	17,516	–
Interest income on other receivables	<b>14,319,893</b>	–	21,265,870	–	–	–
<b>AFS investments</b>						
Equity investments:						
Net gain (loss) recognized in equity	–	<b>1,892,798</b>	–	2,777,926	–	1,357,501
Debt investments:						
Net gain (loss) recognized in equity	–	<b>(11,320,801)</b>	–	3,763,548	–	7,948,682
Interest income on ROP Bonds	<b>217,799</b>	–	1,073,692	–	262,707	–
<b>Derivative Financial Instruments at FVPL</b>						
Fair value changes and premium on forward contracts	<b>37,533,046</b>	–	446,597,342	–	3,312,079	–
Unrealized gain (loss) on fair value on changes on currency options	–	–	(9,598,488)	–	(8,750,155)	–
<b>Financial liabilities at amortized cost</b>						
Interest expense on long-term debts	<b>(986,627,533)</b>	–	(3,643,864,967)	–	(843,946,481)	–
Interest expense on royalty payable	–	–	(56,102,861)	–	–	–
Interest expense on short-term loans	<b>(782,375)</b>	–	(304,361)	–	(3,334,410)	–
“Day 1” gain on royalty fee	<b>(9,676,224)</b>	–	–	–	(14,782,182)	–
	<b>(₱836,004,765)</b>	<b>(₱9,428,003)</b>	<b>(₱2,915,578,319)</b>	<b>₱6,541,474</b>	<b>(₱732,182,857)</b>	<b>₱9,306,183</b>

### 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 long-term debts. 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 of March 31, 2011 and 2010 and December 31, 2010.

	<b>March 31, 2011 (Unaudited)</b>	December 31, 2010 (Audited)	March 31, 2010 (Unaudited)
Long-term liabilities	<b>₱53,457,206,325</b>	₱41,205,947,848	₱46,091,143,548
Equity	<b>33,692,126,415</b>	32,238,981,057	32,633,297,289
<b>Total</b>	<b>₱87,149,332,740</b>	<b>₱73,444,928,905</b>	<b>₱78,724,440,837</b>
Debt ratio	<b>61.3%</b>	56.1%	58.5%

#### 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 March 31, 2011 and 2010 and nil in December 31, 2010.

	<b>March 31, 2011 (Unaudited)</b>		March 31, 2010 (Unaudited)	
	<b>Derivative Assets</b>	<b>Derivative Liabilities</b>	Derivative Assets	Derivative Liabilities
Embedded derivatives -				
Currency options	<b>₱-</b>	<b>₱-</b>	₱854,234	<b>₱-</b>
Free standing derivatives				
Currency forwards	<b>11,789,416</b>	<b>3,641,161</b>	11,936,960	47,050,740
<b>Total derivatives</b>	<b>₱11,789,416</b>	<b>₱3,641,161</b>	₱12,791,194	₱47,050,740
Presented as:				
Current	<b>₱11,789,416</b>	<b>₱3,641,161</b>	₱11,936,960	₱47,050,740
Noncurrent	-	-	854,234	-
<b>Total derivatives</b>	<b>₱11,789,416</b>	<b>₱3,641,161</b>	₱12,791,194	₱47,050,740

*Freestanding Derivatives.* The Company enters into derivative *transactions* to hedge the foreign currency exposure arising from its foreign currency denominated loan contracts. In 2011 and 2010, 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.

*Foreign Currency Forward Contracts.* 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.

For the three-month period ending March 31, 2011, the Company entered a total of 6 buy JPY - sell USD foreign currency forward contracts with various counter-party banks. These contracts have notional amounts and average rates of JP¥2,441 million and JP¥83.00, respectively.

In 2010, the Company instituted a total of 16 foreign currency forward contracts which all matured on June 24, 2010. These contracts which include two non-deliverable buy yen - sell dollar, 13 deliverable buy yen - sell dollar and a deliverable buy dollar - sell peso forward contracts, have notional amounts and average rates of JP¥3,107 million and JP¥93.5, JP¥22,261 million and JP¥93.43 and US\$12.0 million and ₱46.29, respectively. The total net mark-to-market gain recognized in the December 31, 2010 statement of comprehensive income relative to these forward contracts is ₱446.60 million, with ₱12.47 million and ₱434.10 million attributable to non-deliverable and deliverable contracts, respectively.

*Foreign Exchange Swap Contracts.* These are contractual agreements between parties to exchange two currencies at a certain exchange rate at a certain time in the future.

For the three-month period ending March 31, 2011, the company has entered a total of 26 foreign exchange swap contracts with various counter-party banks. These contracts which include five sell JPY-buy PHP, two sell JPY-buy USD and nineteen sell USD-buy PHP on trade date have notional amounts of JP¥12,450 million, JP¥2,075 million and \$448 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's embedded currency options in its Pantabangan Refurbishment and Upgrade Project Contract with VA TECH HYDRO, GmbH Contractor have already matured in December 2010. Under the PRUP Contract, the Company had the option to pay the Contractor in European Euro (Euro) or in US Dollar at a strike rate of €1.4691 to US\$1.00 for the original contract and €1.5549 to US\$1.00 for the contract options availed during the year. As of March 31, 2010 the embedded currency options have notional amount of €6.0 million (nil in March 31, 2011 and December 31, 2010). The net mark-to-market loss recognized in March 31, 2010 was P8.8 million (nil in March 31, 2011 and December 31, 2010).

#### Fair Value Changes of Derivatives

The tables below summarize the net movement in fair values of the Company's derivatives as of March 31, 2011 and 2010 and December 31, 2010.

#### *Freestanding Derivatives*

	March 31, 2011 (Unaudited)		December 31, 2010 (Audited)		March 31, 2010 (Unaudited)	
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability
<b>Currency Forwards</b>						
Balance at beginning of year	P-	P-	P-	P-	P-	P-
Net changes in fair value	57,326,207	(P19,773,161)	449,477,342	(2,880,000)	11,936,960	(8,624,881)
Settlement	(45,536,791)	16,132,000	(449,477,342)	2,880,000	-	-
Balance at end of year	<b>P11,789,416</b>	<b>(P3,641,161)</b>	P-	P-	P11,936,960	(8,624,881)

#### *Embedded Derivatives*

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)	March 31, 2010 (Unaudited)
Derivative Assets			
Balance at beginning of year	P-	P9,611,022	P9,611,022
Net changes in fair value of derivatives	-	(9,598,488)	(8,750,155)
Fair value of settled derivatives	-	-	-
Foreign exchange difference	-	(12,534)	(6,633)
Balance at end of year	<b>P-</b>	<b>P-</b>	<b>P854,234</b>

The net changes in fair value of the Company's derivatives for the periods ended March 31, 2011, December 31, 2010 and March 31, 2010 amounting to P37.5 million gain, P437.0 million gain and P5.4 million loss, respectively were taken to the "Derivatives gain (loss)" account in the consolidated statements of income

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**33. Event After the Financial Reporting Period**

On April 8, 2011, the Parent Company has prepaid the JPY8.1 billion (¥4,123.05 million) 21<sup>st</sup> Yen loan with Japan International Cooperation Agency (JICA), a successor institution of the Overseas Economic Cooperation Fund (OECF) (Japan).

**Energy Development Corporation and Subsidiaries**  
**As of March 31, 2011**  
**(With comparative figures for March 31, 2010)**  
**In Million Pesos**

**Aging of Accounts Receivable**

	<b>Amount</b>
Trade Receivables	
Current	2,543.1
More than 90 days past due	348.5
More than 120 days past due	-
Subtotal	2,891.6
Other Receivables	147.5
Total Receivables	3,039.1
Allowance for Doubtful Accounts	(116.8)
<b>Trade and Other Receivables – Net</b>	<b>2,922.3</b>

**Breakdown of Liabilities**

	<b>2011</b>	<b>2010</b>
<b>A. Current Liabilities</b>		
Loan Payable	90.0	225.9
Accounts Payable	6,729.2	5,147.8
Accrued Interest and Other Payables	1,436.8	1,622.5
Income Tax Payable	239.7	273.3
Derivative liability	3.6	8.6
Due to Related Parties	317.8	342.5
<b>Total</b>	<b>8,817.1</b>	<b>7,620.6</b>
<b>B. Noncurrent Liabilities</b>		
Royalty Fee Payable		
Current	277.5	264.5
Noncurrent	217.8	491.2
Long-term Debt		
Current	1,970.0	16,448.3
Noncurrent	51,487.2	29,642.9
Asset Retirement Obligations	321.1	-
Retirement Benefit Obligation and Other Noncurrent Liabilities	1,551.3	1,644.1
<b>Total</b>	<b>55,824.9</b>	<b>48,491.0</b>
<b>Total Liabilities</b>	<b>64,642.0</b>	<b>56,111.6</b>

*Certified true and Correct*

**NESTOR H. VASAY**  
 Senior Vice President and  
 Chief Financial Officer

May 11, 2011  
 Date Signed

*Agnes C. de Jesus*

**AGNES C. DE JESUS**  
 Senior Vice President and  
 Compliance Officer

May 11, 2011  
 Date Signed