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May 6, 2010

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

Dear Ms. Encarnacion:

In compliance with the PSE disclosure requirement, we submit the attached Energy Development Corporation (Consolidated) 1<sup>st</sup> Quarter 2010 Financial Results (SEC Form 17-Q).

Very truly yours,

A handwritten signature in black ink, appearing to read "Erudito S. Recio". The signature is fluid and cursive, with a prominent vertical stroke on the right side.

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

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

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

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

**(632) 893-6001**  
(Telephone Number)

**March 31, 2010**  
(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, 2010**
2. Commission identification number: **66381**
3. BIR Tax Identification No. **000-169-125-000**
1. Exact name of issuer as specified in its charter: **ENERGY DEVELOPMENT (EDC)  
CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office Postal Code  
**PNPC Complex, Merritt Road, Ft. Bonifacio, Taguig City** **1201**
8. Issuer's telephone number, including area code: **(632) 6677-332**
9. Former name, former address and former fiscal year, if changed since last report: **Not  
Applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<u>Title of each Class</u>	<u>Number of shares outstanding as of March 31, 2010</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, the common stock.**

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

**Philippine Stock Exchange** **Common Stock**

12. Indicate by check mark whether the registrant:

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

Yes [  ] No [  ]

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

Yes [  ] No [  ]

## **PART 1 FINANCIAL INFORMATION**

### **ITEM 1. FINANCIAL STATEMENTS**

*Our unaudited financial statements for the quarter ended March 31, 2010 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) and are filed as Annex I of this report.*

### **ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (“MD & A”)**

*The following is a discussion and analysis of the Company’s financial performance for the quarter ended March 31, 2010. The prime objective of this MD&A is to help the readers understand the dynamics of our Company’s business and the key factors underlying our financial results. Hence, our MD&A is comprised of a discussion of our core business, and an analysis of the results of operations. This section also focuses on key statistics from the unaudited financial statements and pertains to risks and uncertainties relating to the geothermal industry in the Philippines where we operate up to the stated reporting period. However, our MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general economic, political and environment condition after the stated reporting date.*

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

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

*Additional information about the Company can be found on our corporate website [www.energy.com.ph](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, 2010, the Company operates twelve geothermal steamfields in the five geothermal renewable energy 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 Agreement (SSA) and
- ii. the generation of electricity for sale to NPC and privately-owned distribution utilities, pursuant to Power Purchase Agreements (PPAs) and Electricity Sales Agreement (ESA), respectively.

For the Company's third business segment, EDC provides drilling equipment and rig personnel to the Lihir Gold Limited (LGL) in Papua New Guinea.

With its acquisition of a 60% equity stake in First Gen Hydro Power Corporation (FG Hydro) on November 17, 2008, EDC has since been involved in the operation of hydro power plants. FG Hydro's 110 MW Pantabangan and 12 MW Masiway Hydroelectric Power Plants (PMHEPP), located in Pantabangan, Nueva Ecija Province, Central Luzon, sell electricity to the Luzon grid to service the consumption of its customers under bilateral contracts and the Wholesale Electricity Spot Market (WESM).

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

The Company has included into its strategic plans the Company's participation in PSALM's auction of the NPC-owned geothermal power generation facilities. On September 2, 2009, Green Core Geothermal Inc. (Green Core), the Company's wholly-owned subsidiary through First Luzon Geothermal Energy Corporation, participated and won in PSALM's auction for the 192.5 MW Palinpinon and 112.5 MW Tongonan I geothermal power plants.. On October 23, 2009, Green Core successfully took over the Palinpinon and Tongonan I geothermal power plants. The Company now operates a total of 10 geothermal power plants with an aggregate capacity of 1,048.8 MW.

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

The Company generated ₱177.5 million revenues from service contract it entered into with LGL in Papua, New Guinea. This represents 2.5% of the Company's gross revenues for the first quarter of year 2010. The contract term with LGL was extended until December 31, 2010 with an option to extend for another year.

## **Distribution method of products and services**

The Company's total generation of 2,028.7 Gwh comprised of 1,568.4 GWh coming from electricity production in Leyte, So. Negros, No. Negros and Mindanao areas; 248.9 GWh pertaining to steam operations in Sorsogon; and 211.4 GWh generated from hydro power plant operations in Pantabangan, Nueva Ecija.

The electricity generated, by either NPC or the Company's geothermal power plants, is transmitted to the 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.

About 68.9% of the 2,028.7 Gwh generated by the Company from its steam and electricity business was sold to NPC, The electricity generated by the power plants of FG Hydro, equivalent to 211.4 Gwh, was sold to the WESM and to its distribution utility clients in the province of Nueva Ecija while the 419.4 Gwh electricity production of Green Core's Palinpinon and Tongonan I Geothermal Power Plants (PTGPP) and EDC's No. Negros was sold to the industrial customers and electric cooperatives in the Visayas region.

From the 211.4 GWh of electricity generated by FG Hydro, 151.7 Gwh or 72% was sold to the Wholesale Electricity Spot Market (WESM) while the 59.7 Gwh or 28% was sold to distribution utilities.

## **Competition**

As an Independent Power Producer (IPP), the nature of the Company's off-take contracts shields the Company from competition technically. However, the Philippine Power Industry has other IPPs that use various fuels like hydro, coal, gas and oil. Only natural gas and hydro are indigenous to the Philippines.

For geothermal steam supply, the only other company operating in the Philippines is Chevron Philippines Geothermal Holdings, Inc. (further to Chevron Texaco Corporation's acquisition of Union Oil Company of California (UNOCAL) on August 10, 2005) which supplies the requirement of the Tiwi-Makban generating facilities.

The acquisition of a 60% equity stake in First Gen Hydro Power Corporation (FG Hydro) last November 17, 2008 exposes EDC to hydro plant generation. FG Hydro's PMHEPP delivers electricity into the Luzon grid to service the consumption of its customers and the Wholesale Electricity Spot Market (WESM).

In the field of geothermal consultancy, Non-Philippine companies that are actively engaged in the Asia-Pacific region are West Japan Engineering Consultancy, GeothermEx, Sinclair Knight Merz Engineering Consultancy and PB Power. For drilling services in the Philippines, the Company's lone competitor is DESCO, Inc.

### **Dependence on one major customer**

About 68.9% of the Company's revenues from its steam and electricity business are derived from existing long-term Steam Sales Agreement (SSA) and Power Purchase Agreements (PPAs) with NPC, respectively.

### **Concessions and royalty payments**

The five geothermal renewable energy service contract (GRESK) areas where the Company's geothermal steam fields are located are:

1. Leyte Geothermal Production Field (expiring in 2031)
2. Southern Negros Geothermal Production Field (expiring in 2031)
3. Bacman Geothermal Production Field in Luzon (expiring in 2031)
4. Mindanao Geothermal Production Field (expiring in 2042)
5. No. Negros Geothermal Production Field (expiring in 2044)

## KEY PERFORMANCE INDICATORS

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

Ratio	March 31, 2010	March 31, 2009
Current Ratio	0.92 : 1	1.26 : 1
Debt-to-Equity Ratio	1.45 : 1	1.18 : 1
Net Debt-to-Equity Ratio	1.02 : 1	0.94 : 1
Return on Assets (%)	4.4	3.2
Return on Equity (%)	12.2	7.6

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

This ratio measures the company's liquidity and ability to pay its short-term obligations. The movement in the two periods arose from non-commensurate increases in Cash under Current Assets as against Current Portion of Long-Term Debt and Trade Payables in Current Liabilities as of March 2010.

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

This ratio shows the capital contributed by the creditors and the owners.

**Net-Debt-to-Equity Ratio** – Total interest-bearing debts less cash & cash equivalents divided by stockholders' equity

This ratio is Debt-to-Equity but net of cash.

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

This ratio indicates efficiency by which the company uses its total assets to generate earnings.

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

This ratio reveals how much profit a company earns in comparison to the total shareholder equity.

## ***OPERATING REVENUES AND EXPENSES***

### ***FINANCIAL HIGHLIGHTS***

- The recurring net income generated in the first quarter of 2010 increased by 103.4% or ₱1,623.7 to ₱3,193.8 million from the ₱1,570.1 million posted during the same period in 2009. This was mainly due to the following:
  - increase in revenues mainly from FG Hydro and Green Core's electricity sales (₱1,615.6 million); and
  - full quarter impact of the Renewable Energy (RE) Law (₱347.0 million) .

These were partly offset by the following:

- net increase in finance charges from the Fixed Rate Corporate Notes (FRCN) and the Peso Public Bonds availed in July/September 2009 and December 2009, respectively (₱250.8 million);
  - increase in recurring operating expenses for the maintenance of steamfield and power plant facilities (₱71.4 million); and
  - lower recurring other income (₱ 16.7 million).
- 
- Net income increased by 67.7% or ₱1,535.2 million to ₱3,802.9 million as compared to the ₱2,267.7 million during the same period in 2009. This was primarily due to the increased revenues mainly from Green Core and FG Hydro's electricity sales (₱1,615.6 million), impact of RE Law (₱597.4 million) on both recurring and non-recurring income, and lower derivative loss (₱293.5 million) offset by lower foreign exchange gain (₱603.2 million), net increase in financial expenses (₱289.0 million) and increase in operating expenses (₱64.9 million).
- 
- Cash and cash equivalents increased by 22.4% or ₱2,518.2 million to ₱13,739.1 million as of March 31, 2010 from the ₱11,220.9 million December 31, 2009 balance. The increase was mainly accounted by the ₱3,891.2 million internal cash generation for the first quarter of 2010 partly reduced by the ₱708.2 million cash outflows from financing activities, ₱641.6 million cash used in investing activities and ₱23.2 million effect of foreign exchange adjustments.

## RESULTS OF OPERATIONS

The following table details the results of operations for EDC for the first quarter of 2010 and 2009.

(Amounts in PHP millions)	Mar. 2010	Mar. 2009	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Favorable (Unfavorable)		Mar. 2010	Mar. 2009
			Amount	%		
Revenue from sale of electricity	6,543.0	3,584.1	2,958.9	82.6%	91.4%	64.6%
Revenue from sale of steam	440.0	1,106.3	(666.3)	-60.2%	6.1%	20.0%
Interest income on service concessions	-	508.0	(508.0)	-100.0%	0.0%	9.2%
Revenue from drilling services	177.5	177.6	(0.1)	-0.1%	2.5%	3.2%
Construction revenue	-	168.9	(168.9)	-100.0%	0.0%	3.0%
Total Revenues	7,160.5	5,544.9	1,615.6	29.1%	100.0%	100.0%
Operations and maintenance	(1,125.1)	(1,428.3)	303.2	-21.2%	-15.7%	-25.8%
General and administrative	(756.1)	(654.8)	(101.3)	15.5%	-10.6%	-11.8%
Purchased services and utilities	(340.0)	(602.4)	262.4	-43.6%	-4.7%	-10.9%
Construction costs	-	(145.6)	145.6	-100.0%	0.0%	-2.6%
Depreciation and amortization	(834.6)	(159.8)	(674.8)	422.3%	-11.7%	-2.9%
Total Operating Expenses	(3,055.8)	(2,990.9)	(64.9)	2.2%	-42.7%	-53.9%
Interest income - net of final tax	135.3	110.7	24.6	22.2%	1.9%	2.0%
Interest expense	(864.0)	(550.4)	(313.6)	57.0%	-12.1%	-9.9%
Total Financial Income (Expenses)	(728.7)	(439.7)	(289.0)	65.7%	-10.2%	-7.9%
Foreign exchange gain - net	674.8	1,278.0	(603.2)	-47.2%	9.4%	23.0%
Derivatives loss - net	(5.4)	(298.9)	293.5	-98.2%	-0.1%	-5.4%
Miscellaneous income - net	3.1	17.3	(14.2)	-82.1%	0.0%	0.3%
Total Other Income (Expenses)	672.5	996.4	(323.9)	-32.5%	9.4%	18.0%
INCOME BEFORE INCOME TAX	4,048.5	3,110.7	937.8	30.1%	56.5%	56.1%
Provision for Income Tax - Current	(206.9)	(512.2)	305.3	-59.6%	-2.9%	-9.2%
Provision for Income Tax - Deferred	(38.7)	(330.8)	292.1	-88.3%	-0.5%	-6.0%
Total Provision for Income Tax	(245.6)	(843.0)	597.4	-70.9%	-3.4%	-15.2%
<b>NET INCOME</b>	<b>3,802.9</b>	<b>2,267.7</b>	<b>1,535.2</b>	<b>67.7%</b>	<b>53.1%</b>	<b>40.9%</b>
Attributable to:						
Equity Holders of the Parent	3,296.6	2,172.8	1,123.8	51.7%	46.0%	39.2%
Minority Interests	506.3	94.9	411.4	433.5%	7.1%	1.7%
EBITDA	4,939.3	2,713.8	2,225.5	82.0%	69.0%	48.9%
RECURRING NET INCOME	3,193.8	1,570.1	1,623.7	103.4%	44.6%	28.3%

### YTD March 31, 2010 vs. YTD March 31, 2009

#### Revenues

Revenues for the period ended March 31, 2010 increased by 29.1% or ₱1,615.6 million to ₱7,160.5 million from ₱5,544.9 million posted during the same period in 2009. Excluding the ₱366.9 million net impact of the scoping-out from IFRIC 12, revenues increased by ₱1,248.7 million mainly due to higher electricity sales.

#### *Revenue from Sale of Electricity*

Revenue from sale of electricity increased by 82.6% or ₱2,958.9 million to ₱6,543.0 million in the first quarter of 2010 from ₱3,584.1 million registered during the same period in 2009 on account of the following:

- Revenues generated by Green Core following acquisition of the Palinpinon 1 & 2 and Tongonan 1 geothermal power plants in September 2009 (₱1,433.8 million);
- FG Hydro's increased revenues due to the combined effect of higher average selling price and electricity volume (₱939.2 million);
- Impact of the full recognition of revenue billings starting November 2009 due to the Company's scoping-out from IFRIC 12 (₱864.0 million); and
- Electricity generation by No. Negros power plant with its re-commissioning in May 2009 (₱148.4 million).

These were partly offset by the adjustment in Unified Leyte's revenues due to the shortfall generation (₱317.3 million) compounded by the decline in average selling price for both Unified Leyte and Mindanao on account of lower inflation indices (₱109.2 million).

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

Revenue from sale of steam decreased by 60.2% or ₱666.3 million to ₱440.0 million in the first quarter of 2010 from ₱1,106.3 million during the same period in 2009. The ₱851.9 million decline was attributed to the shift in revenue recognition from steam to electricity sales of the Palinpinon and Tongonan 1 power plants following the takeover of the assets by Green Core on October 24, 2009.

The decline was countered by the favorable impact of the full recognition of revenue billings starting November 2009 due to scope-out from IFRIC 12 (₱179.8 million) plus Bacman's higher average selling price by P0.02/kwh (P5.8 million) due to inflation indices.

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

Revenue from drilling services decreased by 0.1% or ₱0.1 million to ₱177.5 million in the first quarter of 2010 from ₱177.6 million during the same period in 2009. The minimal unfavorable variance was traced to lower average peso-dollar exchange rate of PHP45.878 in 2010 vs PHP 48.206 in 2009. It should be noted however, that total billings to LGL increased by USD184.2 thousand to USD3,869.0 thousand in March 2010 from USD 3,684.8 thousand in March 2009.

### ***Interest Income on Service Concession/Construction Revenue***

No interest income on concession receivable and construction revenue were reported in the first quarter of 2010 as the Company was scoped out from IFRIC 12 starting October 23, 2009 with the conversion of the geothermal service contracts to geothermal renewable energy service contracts.

### **Operating Expenses**

Operating expenses increased by 2.2% or ₱64.9 million to ₱3,055.8 million in the first quarter of 2010 from ₱2,990.9 million for the same period in 2009.

The increase was attributed to the net impact of higher general and administrative expenses (₱101.3 million) and depreciation expenses (₱674.8 million) arising from IFRIC 12 scope-out on the one hand, and lower operations and maintenance (₱303.2 million), purchased services and utilities (₱262.4 million) and absence of construction costs (₱145.6 million) on the other.

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

Operations and maintenance expenses decreased by 21.2% or ₱303.2 million to ₱1,125.1 million in the first quarter of 2010 from ₱1,428.3 million during the same period in 2009 mainly due to the capitalization of capital expenditures in 2010 that were previously charged outright to expense in 2009 with the scoping out from IFRIC 12 starting October 23, 2009.

The decline was partially offset by higher accrual of pension costs (₱56.3 million), O&M expenses incurred by Green Core (₱47.7 million) and the increased maintenance expenses of FG Hydro (₱9.8 million).

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

General and administrative expenses increased by 15.5% or ₱101.3 million to ₱756.1 million in the first quarter of 2010 from ₱654.8 million during the same period in 2009 because of Expenses incurred by Green Core (₱78.9 million), higher expenses for rental, insurance, taxes, licenses, professional fees and G&A personnel pension cost accrual (₱125.1 million)

The foregoing unfavorable variances were partly offset by the absence of provision for doubtful accounts on overdue NPC receivables in 2010 as against the ₱97.9 million in 2009.

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

Purchased services and utilities decreased by 43.6% or ₱262.4 million to ₱340.0 million in the first quarter of 2010 from ₱602.4 million during the same period in 2009. This was largely on account of lower technical and consultancy services for new geothermal wells drilled due to capitalization with the scope-out from IFRIC 12 (₱181.2 million) and absence of BOT fees in 2010 with the turn-over to EDC in June 2009 of the last of the BOT power plants (₱109.3 million). These were offset by the expenses of the newly created Green Core (₱28.1 million).

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

The increase by 422.3% or ₱674.8 million to ₱834.6 million in the first quarter of 2010 from ₱159.8 million during the same period in 2009 was mainly attributed to the net additional depreciation of fixed assets that were re-classed from financial and intangible assets post scope out from IFRIC 12.

### ***Construction Costs***

No construction costs was recognized in the first quarter of 2010 under a different financial reporting standards that is not IFRIC 12 starting October 23, 2009 .

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

Financial expenses-net increased by 65.7% or ₱289.0 million to ₱728.7 million in the first quarter of 2010 from ₱439.7 million for the same period in 2009 due to the increase in finance charges from higher borrowings in the second half of 2009, partly offset by higher interest income.

### ***Interest Income – net***

Interest income (net of final tax) increased by 22.2% or ₱24.6 million to ₱135.3 million in the first quarter of 2010 from ₱110.7 million during the same period in 2009. The favorable variance was contributed by higher interest earnings on a larger investible fund balance (₱40.5 million), reduced by lower interest income accretion on outstanding NPC receivable on arbitral award (₱17.4 million).

### ***Interest Expense***

Interest expense increased by 57% or ₱313.6 million to ₱864.0 million in the first quarter of 2010 from ₱550.4 million during the same period in 2009. The unfavorable variance was mainly on account of higher borrowings.

These were mitigated by lower interest expense incurred by FG Hydro (₱10.2 million) and on EDC's existing long-term amortizing loans (₱166.9 million).

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

Other income-net declined by 32.5% or ₱323.9 million to ₱672.5 million from the ₱996.4 million during the same period in 2009. The variance was primarily attributed to the difference in the movements of the JPY:USD and PHP:USD in the comparative periods.

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

Foreign exchange gain - net of ₱674.8 million was lower than the ₱1,278.0 million for the same period in 2009.

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

	JPY:US\$	PHP:US\$
December 31, 2008	90.942	47.520
March 31, 2009	97.172	48.330
December 31, 2009	91.634	46.200
March 31, 2010	92.790	45.170

### ***Derivatives Loss - net***

The decrease in Derivative loss - net in 2010 by 98.2% or ₱293.5 million was mainly due to EDC Parent derivative gain on the foreign currency forward contracts that will mature on June 24, 2010 (₱3.3 million) as against the derivative loss on the range-bonus forward contracts covering Miyazawa I (₱279.9 million) coupled with FG Hydro's lower derivative loss on embedded currency options in its PRUP Contract with VA TECH HYDRO, Gmbh Contractor (₱10.3 million).

### ***Miscellaneous Income – net***

Miscellaneous income - net decreased by 82.1% or ₱14.2 million to ₱3.1 million in the first quarter of 2010 from ₱17.3 million during the same period in 2009 when inventory adjustment and gain on disposal of surplus and non-moving/obsolete inventories benefited the Company by ₱8.1 million and ₱5.7 million, respectively.

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

Current tax expense decreased by 59.6% or ₱305.3 million to ₱206.9 million in the first quarter of 2010 from ₱512.2 million during the same period in 2009. This was largely due to the change in corporate income tax rate from 30% to 10% with the company's registration as an RE developer.

Deferred tax expense was lower by 88.3% or ₱292.1 million to ₱38.7 million in the first quarter of 2010 from ₱330.8 million during the same period in 2009 mainly because of the lower unrealized foreign exchange gain in 2010 and the reduced corporate income tax rate.

### **Net Income**

Net income increased by 67.7% or ₱1,535.2 million to ₱3,802.9 million from ₱2,267.7 million during the same period in 2009. This was primarily due to the increased revenues mainly from Green Core and FG Hydro's electricity sales (₱1,615.6 million), full impact of the RE Law (₱597.4 million) on both recurring and non-recurring income, and lower derivative loss (₱293.5 million) offset by lower foreign exchange gain (₱603.2 million), net increase in financial expenses (₱289.0 million) and increase in operating expenses (₱64.9 million).

Net income is equivalent to 53.1% of total revenues in the first quarter of 2010 as compared to the 40.9% during the same period in 2009.

## CAPITAL AND LIQUIDITY RESOURCES

<b>As of the quarter ended (in millions of pesos)</b>	<b>Q1 2010</b>	<b>Q1 2009</b>	<b>YoY change</b>
Balance Sheet Data			
Total Assets .....	87,915.8	74,580.4	17.9%
Total Debt .....	56,029.5	43,512.8	28.8%
Total Stockholders' Equity .....	31,886.3	31,067.6	2.6%

The Company's assets as of March 31, 2010 amounted to ₱87,915.8 million, 17.9% higher as compared to the ₱74,580.4 million level as of March 31, 2009.

## FINANCIAL POSITION

Horizontal and Vertical Analysis of Material Changes as of March 31, 2010 and December 31, 2009.

(Amounts in PHP millions)	Mar. 2010	Dec. 2009 Audited	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Favorable (Unfavorable)		Mar. 2010	Dec. 2009 Audited
			Amount	%		
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	13,739.1	11,220.9	2,518.2	22.4%	15.6%	13.2%
Trade and other receivables	6,005.2	5,487.2	518.0	9.4%	6.8%	6.5%
Available-for-sale (AFS) investments	729.7	734.8	(5.1)	-0.7%	0.8%	0.9%
Parts and supplies inventories	1,585.3	1,553.8	31.5	2.0%	1.8%	1.8%
Due from related parties	1.9	-	1.9	100.0%	0.0%	0.0%
Derivative assets	11.9	-	11.9	100.0%	0.0%	0.0%
Other current assets	321.3	141.0	180.3	127.9%	0.4%	0.2%
<b>Total Current Assets</b>	<b>22,394.4</b>	<b>19,137.7</b>	<b>3,256.7</b>	<b>17.0%</b>	<b>25.4%</b>	<b>22.6%</b>
<b>Noncurrent Assets</b>						
Property, plant and equipment - net	59,883.9	59,877.2	6.7	0.0%	68.1%	70.6%
Intangible assets	2,373.5	2,397.4	(23.9)	-1.0%	2.7%	2.8%
Deferred tax assets - net	925.3	959.3	(34.0)	-3.5%	1.1%	1.1%
Exploration and evaluation assets	1,046.3	1,038.1	8.2	0.8%	1.2%	1.2%
Derivative assets	0.9	9.6	(8.7)	-90.6%	0.0%	0.0%
Other noncurrent assets - net	1,373.7	1,355.6	18.1	1.3%	1.6%	1.6%
<b>Total Noncurrent Assets</b>	<b>65,603.6</b>	<b>65,637.2</b>	<b>(33.6)</b>	<b>-0.1%</b>	<b>74.6%</b>	<b>77.4%</b>
<b>TOTAL ASSETS</b>	<b>87,998.0</b>	<b>84,774.9</b>	<b>3,223.1</b>	<b>3.8%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Trade and other payables	6,770.3	3,985.0	2,785.3	69.9%	7.7%	4.7%
Loan Payable	225.8	-	225.8	100.0%	0.3%	0.0%
Income tax payable	273.4	66.4	207.0	311.7%	0.3%	0.1%
Due to related parties	342.5	537.0	(194.5)	-36.2%	0.4%	0.6%
Derivative liabilities	8.6	-	8.6	100.0%	0.0%	0.0%
Current portion of:						
Long-term debts	16,448.3	16,930.8	(482.5)	-2.8%	18.7%	20.0%
Royalty fee payable	264.5	244.3	20.2	8.3%	0.3%	0.3%
<b>Total Current Liabilities</b>	<b>24,333.4</b>	<b>21,763.5</b>	<b>2,569.9</b>	<b>11.8%</b>	<b>27.7%</b>	<b>25.7%</b>
<b>Noncurrent Liabilities</b>						
Long-term debts - net of current portion	29,642.9	30,533.7	(890.8)	-2.9%	33.7%	36.0%
Royalty fee payable - net of current portion	491.2	566.7	(75.5)	-13.3%	0.6%	0.7%
Deferred tax liabilities - net	22.1	17.3	4.8	27.7%	0.0%	0.0%
Net retirement and other post-retirement benefits	1,331.0	1,237.1	93.9	7.6%	1.5%	1.5%
Other long-term liabilities	291.1	324.7	(33.6)	-10.3%	0.3%	0.4%
<b>Total Noncurrent Liabilities</b>	<b>31,778.3</b>	<b>32,679.5</b>	<b>(901.2)</b>	<b>-2.8%</b>	<b>36.1%</b>	<b>38.5%</b>
<b>Total Liabilities</b>	<b>56,111.7</b>	<b>54,443.0</b>	<b>1,668.7</b>	<b>3.1%</b>	<b>63.8%</b>	<b>64.2%</b>
<b>EQUITY</b>						
<b>Attributable to Equity Holders of the Parent Company:</b>						
Preferred stock	93.7	93.7	-	0.0%	0.1%	0.1%
Common stock	18,750.0	18,750.0	-	0.0%	21.3%	22.1%
Common stock in employee trust account	(391.6)	(391.6)	-	0.0%	-0.4%	-0.5%
Additional paid-in capital	6,262.0	6,262.0	-	0.0%	7.1%	7.4%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-4.2%	-4.4%
Net accumulated unrealized gain on AFS investments	122.5	113.2	9.3	8.2%	0.1%	0.1%
Retained earnings	8,720.1	7,681.2	1,038.9	13.5%	9.9%	9.1%
	<b>29,850.3</b>	<b>28,802.1</b>	<b>1,048.2</b>	<b>3.6%</b>	<b>33.9%</b>	<b>34.0%</b>
<b>Minority Interest</b>	<b>2,036.0</b>	<b>1,529.8</b>	<b>506.2</b>	<b>33.1%</b>	<b>2.3%</b>	<b>1.8%</b>
<b>Total Equity</b>	<b>31,886.3</b>	<b>30,331.9</b>	<b>1,554.4</b>	<b>5.1%</b>	<b>36.2%</b>	<b>35.8%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>87,998.0</b>	<b>84,774.9</b>	<b>3,223.1</b>	<b>3.8%</b>	<b>100.0%</b>	<b>100.0%</b>

### **Cash and cash equivalents**

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

The 22.4% or ₱2,518.2 million increase to ₱13,739.1 million as of March 31, 2010 from the ₱11,220.9 million December 31, 2009 balance was mainly due to the following:

- ₱3,891.2 million internal cash generation for the first quarter of 2010
- ₱233.2 million proceeds from short-term loans
- ₱127.0 million interest income received on investments

These were partly offset by the settlement of long-term loans (₱697.5 million), acquisition of property, plant and equipment (₱828.7 million), FG Hydro's related parties (₱175.8 million) and the effect of foreign exchange adjustments (₱23.2 million).

### **Trade and other receivables - net**

This account, consisting mainly of receivables from NPC, distribution utilities, contractors and employees, increased by 9.4% or ₱518.0 million as of March 31, 2010 to ₱6,005.2 million from the ₱5,487.2 million balance as of December 31, 2009. The increment was mainly from the increased sales to customers by FG Hydro and Green Core.

### **Due from related parties**

This account pertains to the non-interest bearing advances made by EDC to First Gen on expenses related to the financial consultancy, business development and other related services rendered to the Company.

### **Derivative assets (current)**

This account pertains to the fair value of the foreign currency forward contracts of EDC Parent maturing on June 24, 2010 intended for the Miyazawa 2 bonds.

### **Other current assets**

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

The 127.9% or ₱180.3 million increase in the first quarter of 2010 to ₱321.3 million from ₱141.0 million balance as of December 31, 2009 was attributed mainly to the prepaid insurance on industrial all risk coverage as the asset valuation includes Mindanao and Green Core power plants.

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

This account pertains to the fair value of the outstanding embedded currency options on FG Hydro's contract with Andritz Hydro GmbH for the Pantabangan Plant Refurbishment and Upgrade Project (PRUP). It decreased by 90.6% or ₱8.7 million to ₱0.9 million as of

March 31, 2010 from the ₱9.6 million balance as of December 31, 2009 due to scheduled payments made for the current period by FG Hydro.

### **Trade and other payables**

This account increased by 69.9% or ₱2,785.3 million to ₱6,770.3 million in the first quarter of 2010 from ₱3,985.0 million mainly due to the accrual of ₱2,256.4 million cash dividends, ₱305.7 million interest on loans and ₱223.2 liabilities to suppliers and contractors and withholding taxes.

### **Loan Payable**

This account pertains to short-term loan availed by FG Hydro with local bank.

### **Income tax payable**

This account increased by 311.7% or ₱207.0 million to ₱273.4 million in the first quarter of 2010 from ₱66.4 million 2009 year-end level due to the accrual of income tax liability for the current quarter.

### **Due to related parties**

This account decreased by 36.2% or ₱194.5 million to ₱342.5 million as of March 31, 2010 from the ₱537.0 million balance as of December 31, 2009 largely due to FG Hydro's settlement of its liabilities to First Gen.

### **Derivative liabilities**

This account pertains to the fair value of the foreign currency forward contracts of EDC Parent maturing on June 24, 2010 for Miyazawa II.

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

This account decreased by 6.8% or ₱55.3 million to ₱755.7 million as of March 31, 2010 from ₱811.0 million as of December 31, 2009 due to royalty payments effected for the first quarter of 2010.

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

Long-term debt, consisting of JPY, US\$ and PHP loans, decreased by 2.9% or ₱1,373.3 million to ₱46,091.2 million as of March 31, 2010 from ₱47,464.5 million as of December 31, 2009 primarily due to the ₱659.2 million amortization payments and ₱755.7 million foreign exchange gain on loan restatement to March 2010 exchange rate cushioned by the ₱41.6 million amortization of transaction costs.

### **Deferred tax liability**

This account pertains to the deferred tax liability on unrealized foreign exchange gain arising from the restatement of FG Hydro's Deferred Payment Facility with PSALM. It increased by 27.7% or ₱4.8 million to ₱22.1 million as of end-March 2010 from the ₱17.3 million balance

as of end-December 2009 due to the unrealized foreign exchange gain for the current period primarily due to appreciation of PhP vs. US\$ in March 2010.

#### **Net retirement and other post-retirement benefits**

This account pertains to the funded, non-contributory, defined benefit retirement plan maintained for all EDC-Parent permanent employees. It increased by 7.6% or ₱93.9 million due to the accrual of retirement benefits for the first quarter of 2010.

#### **Other long-term liabilities**

This account decreased by 10.3% or ₱33.6 million to ₱291.1 million as of March 31, 2010 from ₱324.7 million as of December 31, 2009 mainly due to the payment of the 10 days monetized vacation leave of employees.

#### **Net accumulated unrealized gain on AFS investments**

This account increased by 8.2% or ₱9.3 million to ₱122.5 million as of March 31, 2010 from ₱113.2 million at end-December 2009 mainly due to the rise in fair value of the investments.

#### **Retained earnings**

Retained earnings increased by 13.5% or ₱1,038.9 million to ₱8,720.1 million as of March 31, 2010 from the ₱7,681.2 million December 31, 2009 balance. This was accounted for by the ₱3,802.9 million net income posted in the first quarter of 2010 offset by the ₱2,256.4 million cash dividends declared on March 25, 2010, ₱506.2 million the share of the minority interest in the net income and the ₱1.4 million documentary stamp tax on the issuance of GCGI's preferred stock.

#### **Minority interest**

This account increased by 33.1% or ₱506.2 million to ₱2,036.0 million as of March 31, 2010 from ₱1,529.8 million as of December 31, 2009 balance on account of First Gen's share in the net income of FG Hydro for the first quarter of 2010.

## Horizontal and Vertical Analysis of Material Changes as of March 31, 2010 and 2009.

(Amounts in PHP millions)	Mar. 2010	Mar. 2009	Favorable (Unfavorable)		Mar. 2010	Mar. 2009
			Amount	%		
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	13,739.1	7,579.5	6,159.6	81.3%	15.6%	10.2%
Trade and other receivables	6,005.2	5,272.5	732.7	13.9%	6.8%	7.1%
Current portion of concession receivable		2,025.9	(2,025.9)	-100.0%	0.0%	2.7%
Available-for-sale (AFS) investments	729.7	746.5	(16.8)	-2.3%	0.8%	1.0%
Parts and supplies inventories	1,585.3	1,420.8	164.5	11.6%	1.8%	1.9%
Due from related parties	1.9	-	1.9	100.0%	0.0%	0.0%
Derivative assets	11.9	399.4	(387.5)	-97.0%	0.0%	0.5%
Other current assets	321.3	585.1	(263.8)	-45.1%	0.4%	0.8%
	<b>22,394.4</b>	18,029.7	4,364.7	24.2%	25.4%	24.2%
Noncurrent assets held for sale		1,797.6	2,569.8	143.0%	0.0%	2.4%
Total Current Assets	<b>22,394.4</b>	19,827.3	6,934.5	35.0%	25.4%	26.6%
<b>Noncurrent Assets</b>						
Concession receivable - net		32,133.7	(32,133.7)	-100.0%	0.0%	43.1%
Property, plant and equipment - net	59,883.9	5,568.4	54,315.5	975.4%	68.1%	7.5%
Intangible assets	2,373.5	11,957.2	(9,583.7)	-80.2%	2.7%	16.0%
Deferred tax assets - net	925.3	3,075.9	(2,150.6)	-69.9%	1.1%	4.1%
Exploration and evaluation assets	1,046.3	1,055.0	(8.7)	-0.8%	1.2%	1.4%
Derivative assets	0.9	16.4	(15.5)	-94.5%	0.0%	0.0%
Other noncurrent assets - net	1,373.7	946.5	427.2	45.1%	1.6%	1.3%
Total Noncurrent Assets	<b>65,603.6</b>	54,753.1	10,850.5	19.8%	74.6%	73.4%
<b>TOTAL ASSETS</b>	<b>87,998.0</b>	74,580.4	13,417.6	18.0%	100.0%	100.0%
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Trade and other payables	6,770.3	3,104.1	3,666.2	118.1%	7.7%	4.2%
Loan payable	225.8	2,000.0	(1,774.2)	-88.7%	0.3%	2.7%
Income tax payable	273.4	597.0	(323.6)	-54.2%	0.3%	0.8%
Due to related parties	342.5	97.0	245.5	253.1%	0.4%	0.1%
Derivative liabilities	8.6	47.0	(38.4)	100.0%	0.0%	0.1%
Current portion of:						
Long-term debts	16,448.3	8,347.8	8,100.5	97.0%	18.7%	11.2%
Obligation to power plant contractors		54.3	(54.3)	-100.0%	0.0%	0.1%
Royalty fee payable	264.5	1,548.4	(1,283.9)	-82.9%	0.3%	2.1%
Total Current Liabilities	<b>24,333.4</b>	15,795.6	8,537.8	54.1%	27.7%	21.2%
<b>Noncurrent Liabilities</b>						
Long-term debts - net of current portion	29,642.9	26,377.0	3,265.9	12.4%	33.7%	35.4%
Royalty fee payable - net of current portion	491.2	-	491.2	100.0%	0.6%	0.0%
Deferred tax liabilities - net	22.1	7.6	14.5	190.8%	0.0%	0.0%
Net retirement and other post-retirement benefits	1,331.0	1,060.6	270.4	25.5%	1.5%	1.4%
Other long-term liabilities	291.1	272.0	19.1	7.0%	0.3%	0.4%
Total Noncurrent Liabilities	<b>31,778.3</b>	27,717.2	4,061.1	14.7%	36.1%	37.2%
<b>Total Liabilities</b>	<b>56,111.7</b>	43,512.8	12,598.9	29.0%	63.8%	58.3%
<b>EQUITY</b>						
<b>Attributable to Equity Holders of the Parent Company:</b>						
Preferred stock	93.7	75.0	18.7	24.9%	0.1%	0.1%
Common stock	18,750.0	15,000.0	3,750.0	25.0%	21.3%	20.1%
Common stock in employee trust account	(391.6)	-	(391.6)	100.0%	-0.4%	0.0%
Additional paid-in capital	6,262.0	6,278.1	(16.1)	-0.3%	7.1%	8.4%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-4.2%	-5.0%
Cost of treasury stock held	-	(404.2)	404.2	-100.0%	0.0%	-0.5%
Net accumulated unrealized gain on AFS investments	122.5	95.4	27.1	28.4%	0.1%	0.1%
Retained earnings	8,720.1	12,150.7	(3,430.6)	-28.2%	9.9%	16.3%
	<b>29,850.3</b>	29,488.6	361.7	1.2%	33.9%	39.5%
<b>Minority Interest</b>	<b>2,036.0</b>	1,579.0	457.0	28.9%	2.3%	2.1%
<b>Total Equity</b>	<b>31,886.3</b>	31,067.6	818.7	2.6%	36.2%	41.7%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>87,998.0</b>	74,580.4	13,417.6	18.0%	100.0%	100.0%

### **Cash and cash equivalents**

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

Cash and cash equivalents increased by 81.3% or ₱6,159.6 million to ₱13,739.1 million from the ₱7,579.5 million balance as of March 31, 2009 was primarily due to:

- ₱12,000.0 million proceeds from the issuance of public bonds;
- ₱10,317.1 million internal cash generation;
- ₱9,000.0 million proceeds from fixed rate corporate notes;
- ₱2,497.0 million proceeds from short-term loans; and
- ₱1,402.3 million proceeds from sale of Fort Bonifacio (FB) properties to PNOC.

The above increases were mainly reduced by the:

- ₱10,165.3 million acquisition of Palinpinon and Tongonan I power plants;
- ₱6,270.4 million settlement of Miyazawa I and ₱2,704.7 million amortization of other long-term debts;
- ₱4,261.1 million settlement of short-term loans;
- ₱3,941.8 million for the acquisition of property, plant and equipment; and
- ₱1,869.0 million cash dividends paid by the parent company.

### **Trade and other receivables - net**

This account, consisting mainly of receivables from NPC, contractors and employees, increased by 13.9% or ₱732.7 million as of March 31, 2010 to ₱6,005.2 million from the ₱5,272.5 million balance as of March 31, 2009. The increment was mainly from the increased sales to customers by FG Hydro and Green Core.

### **Parts and supplies inventories**

The 11.6% or ₱164.5 million increase in this account to ₱1,585.3 million as of March 31, 2010 from ₱1,420.8 million level as of March 31, 2009 was accounted for by the ₱111.5 million acquisitions net of withdrawals for casings and drilling equipment/pump spares and ₱53.0 million receipt of inventories from Mindanao I and II BOT Contractors.

### **Due from related parties**

This account pertains to the non-interest bearing advances made by EDC to First Gen on expenses related to the financial consultancy, business development and other related services rendered to the Company.

### **Derivative assets**

This account decreased by 97.0% or ₱387.5 million to ₱11.9 million in the first three months of 2010 from the ₱399.4 million balance as of March 31, 2009. The ₱11.9 million derivative assets balance in 2010 pertained to the fair value of the foreign currency forward contracts of EDC Parent maturing on June 24, 2010 for Miyazawa II while the ₱399.4 million 2009 balance pertained to the range-bonus forward for Miyazawa I which matured in May 2009.

### **Other current assets**

Other current assets consist mainly of BIR's tax credit certificates, prepaid expenses and advances to contractors. The 45.1% or ₱263.8 million decrease in the first quarter of 2010 to ₱321.3 million from the ₱585.1 million balance as of March 31, 2009 was attributed mainly to the ₱317.1 million application of tax credit certificates to the 2009 income tax payment reduced by the ₱53.3 million prepaid rental of Head Office and prepaid insurance on industrial all risk coverage.

### **Noncurrent assets held for sale**

The ₱1,797.6 million noncurrent assets held for sale represent the remaining parcel of land, buildings and improvements owned by the Company in Fort Bonifacio head office. The sale entered into with PNOC prior to the Company's privatization was completed in December 2009.

### **Concession receivable (inclusive of current portion)**

The outstanding balance of this account as of October 23, 2009 was reclassified to Property, plant and equipment account due to the Parent Company's conversion of its GSCs to GRESCs. The GRESC has established that the Parent Company has control over any significant residual interest over the steamfields, power plant and related facilities during and even after the concession period.

### **Property, plant and equipment - net**

The substantial increase by 975.4% or ₱54,315.5 million to ₱59,883.9 million as of March 2010 from the ₱5,568.4 million in March 2009 was due to the Parent Company's conversion of its GSCs to GRESCs. The GRESC has established that the Parent Company has control over the steamfields, power plant and related facilities during and even after the concession period. Thus, outstanding balances of Concession receivable and EDC Parent's Intangible assets accounts as of October 23, 2009 were reclassified to Property, plant and equipment account.

### **Goodwill and intangible assets-net**

Intangible asset decreased by 80.2% or ₱9,583.7 million as of March 31, 2010 from the ₱11,957.2 million balance as of March 31, 2009. The decrease was due to the Parent Company's conversion of GSC to GRESC. The GRESC has established that the Parent Company has control over the steamfields, power plant and related facilities during and even after the concession period. Thus, outstanding balances of EDC Parent's Intangible assets accounts as of October 23, 2009 was reclassified to property, plant and equipment account. The ₱24.1 million amortization of FG Hydro's water rights also contributed to the decrease in this account.

### **Deferred tax assets - net**

Net deferred tax assets decreased by 69.9% or ₱2,150.6 million to ₱925.3 million in the first quarter of 2010 from ₱3,075.9 million as of March 31, 2009 mainly due to the write-down of

deferred tax asset from the reduced corporate income tax rate of 10% under the RE Law starting February 2009.

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

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

This account decreased by 94.5% or ₱15.5 million to ₱0.9 million as of March 31, 2010 from the ₱16.4 million balance as of March 31, 2009 due to scheduled payments made by FG Hydro.

### **Other non-current assets, net**

This account increased by 45.1% or ₱427.2 million to ₱1,373.7 million as of March 31, 2010 from ₱946.5 million as of March 31, 2009. The increase pertained to the claims for refund of input VAT receivable from BIR.

### **Trade and other payables**

This account increased by 118.1% or ₱3,666.2 million to ₱6,770.3 million in the first quarter of 2010 from ₱3,104.1 million in March 2009 was mainly due to the accrual of ₱2,256.4 million cash dividends ₱666.4 million interest on loans and ₱743.4 million liabilities to suppliers and contractors and withholding taxes.

### **Loan Payable**

The March 2010 balance pertained to short-term loan availed by FG Hydro with local bank while the March 2009 balance pertained to EDC Parent's loan with local bank and fully settled in 2009.

### **Income tax payable**

This account decreased by 54.2% or ₱323.6 million to ₱273.4 million in the first quarter of 2010 from ₱597.0 million March 2009 level due to the reduction of corporate income tax rate to 10% starting February 2009.

### **Due to related parties**

This account decreased by 253.1% or ₱245.5 million to ₱342.5 million as of March 31, 2010 from the ₱97.0 million balance as of March 31, 2009 on account of settlement of liabilities to First Gen.

### **Derivative liabilities**

For March 2010, the account pertains to the fair value of the foreign currency forward contracts of EDC Parent maturing on June 24, 2010 for Miyazawa II while the balance in March 2009 pertains to the fair value of the foreign currency forward contracts for Miyazawa I.

### **Obligation to power plant contractors**

The ₱54.3 million balance as of March 31, 2009 was fully settled with the turn-over of the Mindanao power plants in June 2009.

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

This account decreased by 51.2% or ₱792.7 million to ₱755.7 million as of March 31, 2010 from ₱1,548.4.0 million as of March 31, 2009 due to royalty payments effected.

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

Long-term debt, consisting of JP¥, US\$ and PH₱ loans, increased by 32.7% or ₱11,366.4 million to ₱46,091.2 million as of March 31, 2010 from ₱34,724.8 million as of March 31, 2009. The increase was primarily due to the following:

- ₱9.0 billion FRCN and ₱12.0 billion Peso Public Bonds availed in July/September 2009 and December 2009, respectively; and
- ₱59.3 million amortization of transaction costs.

These were reduced by the ₱6,270.4 million settlement of Miyazawa I, ₱3,167.6 million amortization payments and ₱254.9 million foreign exchange gain on loan restatement to March 2010 exchange rate.

### **Deferred tax liability**

This account pertains to the deferred tax liability on unrealized foreign exchange gain arising from the restatement of FG Hydro's Deferred Payment Facility with PSALM. It increased by 190.8% or ₱14.5 million to ₱22.1 million as of end-March 2010 from the ₱7.6 million balance as of end-March 2009 due to the unrealized foreign exchange gain due to appreciation of PhP vs. US\$ in March 2010.

### **Net retirement and other post-retirement benefits**

This account pertains to the funded, non-contributory, defined benefit retirement plan maintained for all EDC-Parent permanent employees. It increased by 25.5% or ₱270.4 million due to the accrual of retirement benefits from April 2009 to March 2010.

### **Other long-term liabilities**

This account increased by 7.0% or ₱19.1 million to ₱291.1 million as of March 31, 2010 from ₱272.0 million as of March 31, 2009 mainly due to higher accrual of vacation and sick leave benefits.

### **Preferred Stock/Common Stock**

The increase pertained to the 25% subscription to the 7.5 billion increase in authorized preferred stock and 25% stock dividend for the 15 billion increase in authorized common shares as approved by the Securities and Exchange Commission on October 12, 2009.

### **Cost of treasury stock held/Common stock in employee trust account**

The Common shares held in treasury stock were issued irrevocably to Banco de Oro Trust and Investment Group (BDO Trust) for the benefit of the grantees under the Parent Company's executive and employee stock ownership plan. The issuance of common shares to BDO Trust was recognized under the "Common shares in employee trust account" account in the equity section of the consolidated statement of financial position.

### **Net accumulated unrealized gain on AFS investments**

This account increased by 28.4% or ₱27.1 million to ₱122.5 million as of March 31, 2010 from ₱95.4 million at end-March 2009 mainly due to the rise in fair value of the investments.

### **Retained earnings**

Retained earnings decreased by 28.2% or ₱3,430.6 million to ₱8,720.1 million as of March 31, 2010 from the ₱12,150.7 million March 31, 2009 balance. This was accounted for by the net income posted from April 2009 to first quarter of 2010 offset by the cash/stock dividends declared.

### **Minority interest**

This account increased by 28.9% or ₱457.0 million to ₱2,036.0 million as of March 31, 2010 from ₱1,579.0 million as of March 31, 2009 balance on account of First Gen's share in the net income of FG Hydro from April 2009 to March 2010.

## **CASH FLOW**

### **March 31, 2010 vs. March 31, 2009**

Net cash flows from operating activities increased by 17.6% or ₱583.4 million to ₱3,891.2 million in the first quarter of 2010 from ₱3,307.8 million during the same period in 2009 mainly due to ₱2,624.6 million increase in operating income. These were partially offset by the ₱1,043.8 million reduction in concession receivable due to its reclassification to Property, plant and equipment starting October 23, 2009, plus the increase settlement by ₱482.9 million in trade and other payables, lower collection by ₱327.8 million in trade and other receivables and higher payment for interest and financing charges by ₱238.1 million.

Net cash flows used in investing activities increased by 104% or ₱361.4 million to ₱708.2 million in March 2010 from ₱346.8 million in 2009. This was primarily accounted by the increase in Property, plant and equipment by ₱720.5 million partly offset by lower outlays for intangible assets (₱168.9 million) and exploration and other assets (₱151.9 million) and higher interest received on investments (₱38.3 million).

Net cash flow used in financing activities amounted to ₱641.6 million in March 2010, a turnaround from net cash flow from financing activities of ₱3,657.4 million in 2009 primarily due to the ₱4,100.0 million IFC loan availed in January 2009.

## DISCUSSION ON THE SUBSIDIARY

### FG Hydro

#### *March 2010 vs. March 2009 Results*

(Amounts in PHP millions)	As of and for the periods ended March 31	
	2010	2009
Revenues	1,482.2	543.1
Expenses	211.8	309.5
Operating income	1,270.4	233.6
Provision for (benefit from) income tax	4.7	(3.7)
Net income	1,265.7	237.3
Total Current Assets	1,340.1	734.4
Total Non-Current Assets	7,300.1	6,594.5
Total Current Liabilities	1,678.5	874.6
Total Noncurrent Liabilities	1,871.6	2,506.7
Total Equity	5,090.1	3,947.6

FG Hydro's net income for the 1Q 2010 was up by 433.3% or ₱1,028.4 million to ₱1,265.7 million from the ₱237.3 million earned during the same period in 2009.

The favorable variance was on account of the following:

- increased electricity sales due to the combined effect of higher dispatch due to increased irrigation requirements and increased power generation capacity by 10 MW on account of the completion of the rehabilitation of PAHEP's Unit 1, and higher spot prices in the WESM driven by increase in demand levels during the period. (₱939.2 million);
- foreign exchange gain in 1Q 2010 (₱80.1 million) versus the foreign exchange loss in 1Q 2009 (₱50.4 million); and
- lower derivatives loss (₱10.3 million).

The favorable variance was reduced by higher operating expenses by 36.9% or ₱53.4 million to ₱198.3 million from ₱144.9 million due to increase in depreciation and higher accrued taxes.

Total current assets increased by 82.5% or ₱605.7 million to ₱1,340.1 million in 2010 from ₱734.4 million in 2009 primarily due to the ₱596.1 million increase in trade and other receivables while the hike in total non-current assets by 10.7% or ₱705.6 million came mainly from increase in capital expenditures resulting from the on-going Pantabangan refurbishment and upgrade project, though partly offset by depreciation and amortization charges during the period .

Total liabilities increased by 5% or ₱168.8 million to ₱3,550.1 million in 2010 from ₱3,381.3 million in 2009 attributed mainly to the following:

- increase in borrowings from related parties (₱556.9 million);

- short-term loan availed (₱225.8 million); and
- increase in deferred tax liability (₱14.5 million).

These were reduced by the amortization of the deferred payment facility to PSALM (₱462.9 million) and the unrealized foreign exchange gain on restatement of the loan (₱163.4 million).

Total equity as of March 31, 2010 of ₱5,090.1 million is 28.9% higher compared to the March 31, 2009 level of ₱3,947.6 million.

## GREEN CORE

### March 2010 Results

(Amounts in PHP millions)	March 2010
Revenues	1,487.8
Expenses	1,572.2
Operating loss	(84.4)
Benefit from income tax	25.3
Net loss	(59.1)
Total Current Assets	725.4
Total Non-Current Assets	9,983.6
Total Current Liabilities	6,543.0
Total Equity	4,166.0

*\*GCGI was incorporated in the Philippines on June 8, 2009.*

For the first quarter of 2010, GCGI's revenues amounted to ₱1,487.8 million.. These consist primarily of electricity sales to various customers (₱1,433.8 million) and the replacement power supplied to EDC (₱54.0 million).

Expenses were largely for the geothermal steam (as fuel) provided by EDC to GCGI's power plants (₱1,156.9 million), interest (₱131.4 million), depreciation (₱126.9 million), general & administrative (₱78.9 million), operations & maintenance (₱47.7 million) and purchased services and utilities (₱28.0 million).

Total current assets consist primarily of trade and other receivables (₱685.6 million) while bulk of the non-current assets are property, plant & equipment (₱9,953.9 million).

Total liabilities pertain to the cash support EDC provides GCGI, including the advances used to prepay the 60% PSALM deferred payment facility (₱5,432.9 million) and trade & other payables (₱1,086.7 million).

Total equity consists of additional paid in capital on preferred & common stocks (₱2,847.4 million), deposit for future stocks subscription (₱1,042.0 million) and common & preferred stocks (₱276.2 million).

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

As of March 31, 2010, the company has unserved purchase orders and awarded contracts for the purchase of various capital goods in the total amount of ¥20.7 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 ¥21,659.3 million in long-term US dollar and Yen denominated loans as of March 31, 2010, of which 78.7% is yen-denominated.

To partially mitigate foreign exchange risk, the Company hedged its JPY22.0 billion Miyazawa II bond. The loan is due for bullet payment on June 28, 2010. It is equivalent to 62.5% of the ¥17,053.3 million total yen-denominated loans and 49.2% of the total long-term foreign loans.

### **OTHER MATTERS**

#### ***CASH DIVIDEND***

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.

## MAJOR STOCKHOLDERS

As of March 31, 2010, the total number of stockholders was 677 and the stock price was ₱5.00.

### List of Top 20 Stockholders as of March 31, 2010

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	-	7,917,820,753	7,917,820,753	28.2%
3	PCD Nominee Corporation	Filipino		3,053,909,610	3,053,909,610	10.9%
4	Banco de Oro Unibank Inc. – Trust a	Filipino		116,250,000	116,250,000	0.4%
5	Spathodea Campanulata, Inc.	Filipino		90,000,000	90,000,000	0.3%
6	Regina Capital Dev. Corp.	Filipino		35,002,500	35,002,500	0.1%
7	The Insular Life Assurance Co., Ltd.	Filipino		8,423,750	8,423,750	0.0%
8	Peter D. Garrucho, Jr.	Filipino		5,350,000	5,350,000	0.0%
9	Ronaldo C. Sabella	Filipino		1,018,750	1,018,750	0.0%
10	ALG Holdings Corporation	Filipino		875,000	875,000	0.0%
11	CROSLO Holdings Corporation	Filipino		875,000	875,000	0.0%
12	Tan Ben Kuan	Filipino		875,000	875,000	0.0%
13	Mapazon Corporation	Filipino		840,000	840,000	0.0%
14	Hi-Light Corporation	Filipino		827,500	827,500	0.0%
15	Rosalind Camara	Filipino		663,750	663,750	0.0%
16	Engracio A. Sanchez	Filipino		594,000	594,000	0.0%
17	Rodolfo R. Waga, Jr.	Filipino		589,500	589,500	0.0%
18	Peter &/or Annabelle C. Mar	Filipino		500,000	500,000	0.0%
19	Guillermo N. or Clarita C. Tantuco	Filipino		440,000	440,000	0.0%
20	Nelia G. Gabarda	Filipino		375,000	375,000	0.0%

## BOARD OF DIRECTORS

As of March 31, 2010, the members of Board of Directors of EDC are as follows:

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

## **KEY OFFICERS**

As of March 31, 2010, the key officers of EDC are as follows:

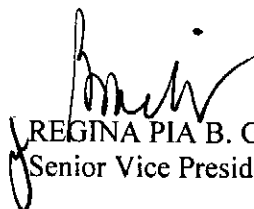
<b>Name</b>	<b>Position</b>
Paul A. Aquino	Chief Executive Officer
Richard B. Tantoco	President and Chief Operating Officer
Ernesto B. Pantangco	Executive Vice President
Agnes C. de Jesus	Senior Vice President for Environmental and External Affairs and Compliance Officer
Anthony M. Mabasa	Senior Vice President
Regina Pia B. Go	Senior Vice President and Chief Financial Officer
Marcelino M. Tongco	Vice President for Operations
Manuel S. Ogena	Vice President for Technical Services
Danilo C. Catigtig	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
Maribel A. Manlapaz	Comptroller
Ma. Theresa P. Manalac	Deputy Treasurer
Roberto V. San Jose	Corporate Secretary
Michael R. Rodriguez	Senior Manager, Internal Audit
Francisco A. Palafox	Deputy Compliance Officer
Erudito S. Recio	Senior Manager, Investor Relations
Ana Maria A. Katigbak-Lim	Assistant Corporate Secretary

**SIGNATURES**

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

Registrant

**ENERGY DEVELOPMENT (EDC) CORPORATION**



REGINA PIA B. GO  
Senior Vice President and Chief Financial Officer

J-4-10

Date Signed



AGNES C. DE JESUS  
Senior Vice President and Compliance Officer

5/4/10

Date Signed

# Annex I

## Energy Development (EDC) Corporation and Subsidiaries

*A Subsidiary of Red Vulcan Holdings Corporation*

Unaudited Interim Condensed  
Consolidated Financial Statements  
March 31, 2010 and 2009  
*(With Comparative Figures as of December 31, 2009)*

**ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL**  
**POSITION**  
**MARCH 31, 2010 AND 2009**  
**(With Comparative Figures as of December 31, 2009)**

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Notes 5 and 36)	13,739,137,557	11,220,897,157	7,579,451,867
Trade and other receivables (Notes 6 and 36)	6,005,231,152	5,487,246,002	5,272,458,114
Current portion of concession receivables (Note 36)	-	-	2,025,906,924
Available-for-sale (AFS) investments (Note 36)	729,691,852	734,811,000	746,515,813
Parts and supplies inventories (Notes 7 and 36)	1,585,255,840	1,553,803,487	1,420,758,198
Due from related parties (Notes 27 and 36)	1,879,065	-	-
Derivative assets (Note 36)	11,936,960	-	399,446,190
Other current assets	321,262,099	140,998,551	585,140,363
	<b>22,394,394,525</b>	19,137,756,197	18,029,677,469
Noncurrent assets held for sale (Note 8)	-	-	1,797,587,000
<b>Total Current Assets</b>	<b>22,394,394,525</b>	19,137,756,197	19,827,264,469
<b>Noncurrent Assets</b>			
Property, plant and equipment – net (Note 9)	59,883,934,813	59,877,186,791	5,568,416,085
Service concession assets:			
Concession receivable - net of current portion (Note 36)	-	-	32,133,725,267
Intangible assets (Note 10)	-	-	9,487,607,900
Intangible assets (Note 10)	2,373,449,846	2,397,497,635	2,469,641,003
Deferred tax assets – net (Note 26)	925,343,913	959,273,421	3,075,897,469
Exploration and evaluation assets	1,046,304,246	1,038,052,272	1,055,031,346
Derivative assets (Note 36)	854,234	9,611,022	16,356,811
Other noncurrent assets – net (Note 11)	1,373,755,163	1,355,560,188	946,510,462
<b>Total Noncurrent Assets</b>	<b>65,603,642,215</b>	65,637,181,329	54,753,186,343
<b>TOTAL ASSETS</b>	<b>87,998,036,740</b>	84,774,937,526	74,580,450,812
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables (Notes 12 and 36)	6,770,335,118	3,985,053,445	3,104,072,069
Loan payable (Note 36)	225,850,000	-	2,000,000,000
Income tax payable	273,335,925	66,400,060	597,031,121
Due to related parties (Notes 27 and 36)	342,513,806	537,020,209	96,980,507
Derivative liabilities (Note 36)	8,624,881	-	47,050,740
Current portion of:			
Long-term debts (Notes 14 and 36)	16,448,262,368	16,930,776,636	8,347,850,984
Royalty fee payable (Notes 13 and 36)	264,523,897	244,306,963	1,548,362,528
Obligations to power plant contractors (Notes 15 and 36)	-	-	54,261,525
<b>Total Current Liabilities</b>	<b>24,333,445,995</b>	21,763,557,313	15,795,609,474

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
<b>Noncurrent Liabilities</b>			
Long-term debts - net of current portion (Notes 14 and 36)	29,642,881,180	30,533,721,755	26,376,998,270
Royalty fee payable - net of current portion (Notes 13 and 36)	491,221,240	566,697,746	-
Deferred tax liabilities – net (Note 26)	22,057,462	17,340,023	7,584,542
Net retirement and other post- retirement benefits	1,331,039,795	1,237,097,147	1,060,593,619
Other long-term liabilities	291,042,125	324,661,737	272,030,306
<b>Total Noncurrent Liabilities</b>	<b>31,778,241,802</b>	<b>32,679,518,408</b>	<b>27,717,206,737</b>
<b>Total Liabilities</b>	<b>56,111,687,797</b>	<b>54,443,075,721</b>	<b>43,512,816,211</b>
<b>Equity</b> (Note 16)			
Attributable to Equity Holders of the Parent Company:			
Preferred stock	93,750,000	93,750,000	75,000,000
Common stock	18,750,000,000	18,750,000,000	15,000,000,000
Common stock in employee trust account	(391,643,364)	(391,643,364)	-
Additional paid-in capital	6,262,027,052	6,262,027,052	6,278,075,648
Equity reserve	(3,706,430,769)	(3,706,430,769)	(3,706,430,769)
Net accumulated unrealized gain on AFS investments	122,483,506	113,177,323	95,446,560
Retained earnings	8,720,136,975	7,681,220,446	12,150,700,111
Cost of treasury stock held	-	-	(404,219,068)
	<b>29,850,323,400</b>	<b>28,802,100,688</b>	<b>29,488,572,482</b>
<b>Minority Interest</b>	<b>2,036,025,543</b>	<b>1,529,761,117</b>	<b>1,579,062,119</b>
<b>Total Equity</b>	<b>31,886,348,943</b>	<b>30,331,861,805</b>	<b>31,067,634,601</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>87,998,036,740</b>	<b>84,774,937,526</b>	<b>74,580,450,812</b>

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

**ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE PERIOD ENDED MARCH 31, 2010 AND 2009**

	2010	2009
<b>REVENUES</b> (Note 4)		
Sale of electricity	6,542,950,511	3,584,072,215
Sale of steam	440,026,992	1,106,272,301
Interest income on service concessions	-	508,002,717
Drilling services	177,501,110	177,628,093
Construction revenue	-	168,889,299
	<b>7,160,478,613</b>	<b>5,544,864,625</b>
<b>OPERATING EXPENSES</b>		
Operations and maintenance (Note 18)	(1,125,106,146)	(1,428,293,033)
General and administrative (Note 19)	(756,103,080)	(654,837,335)
Purchased services and utilities (Note 17)	(340,026,894)	(602,381,103)
Construction costs	-	(145,594,223)
Depreciation and amortization (Notes 4 and 9)	(834,598,062)	(159,730,192)
	<b>(3,055,834,182)</b>	<b>(2,990,835,886)</b>
<b>FINANCIAL INCOME (EXPENSES)</b>		
Interest income - net of final tax (Notes 4 and 22)	135,316,792	110,734,975
Interest expense (Notes 4 and 21)	(863,985,744)	(550,441,364)
	<b>(728,668,952)</b>	<b>(439,706,389)</b>
<b>OTHER INCOME (CHARGES)</b> (Note 4)		
Foreign exchange gain (loss) - net	674,792,573	1,278,039,549
Derivatives gain (loss) - net	(5,438,076)	(298,928,076)
Miscellaneous – net (Note 23)	3,147,128	17,270,524
	<b>672,501,625</b>	<b>996,381,997</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>4,048,477,104</b>	<b>3,110,704,347</b>
<b>PROVISION FOR INCOME TAX</b>		
Current	(206,935,867)	(512,223,611)
Deferred	(38,646,949)	(330,785,040)
	<b>(245,582,816)</b>	<b>(843,008,651)</b>
<b>NET INCOME</b>	<b>3,802,894,288</b>	<b>2,267,695,696</b>
<b>Net income attributable to:</b>		
Equity Holders of the Parent Company	3,296,629,862	2,172,766,876
Minority interest	506,264,426	94,928,820
	<b>3,802,894,288</b>	<b>2,267,695,696</b>
<b>Basic/Diluted Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company</b> (Note 25)	<b>0.175</b>	<b>0.145</b>

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

**ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF**  
**COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED MARCH 31, 2010 AND 2009**

	2010	2009
<b>Net Income</b>	<b>3,802,894,288</b>	<b>2,267,695,696</b>
<b>Other comprehensive income</b>		
Unrealized gain (loss) on AFS investments	<b>9,306,183</b>	64,620,206
<b>Total comprehensive income</b>	<b>3,812,200,471</b>	<b>2,332,315,902</b>
<b>Total comprehensive income attributable to:</b>		
Equity Holders of the Parent Company	<b>3,305,936,045</b>	2,237,387,082
Minority interests	<b>506,264,426</b>	94,928,820
	<b>3,812,200,471</b>	<b>2,332,315,902</b>

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

**ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED MARCH 31, 2010 AND 2009**

	Equity Attributable to Equity Holders of the Parent											Total Equity
	Preferred Stock	Common Stock	Common Shares in Employee Trust Account	Additional Paid-in Capital	Equity Reserve	Accumulated Unrealized Net Gain on AFS Investments	Retained Earnings		Cost of Treasury Stock Held	Total	Minority Interest	
							Appropriated	Unappropriated				
<b>Balance, January 1, 2009</b>	75,000,000	15,000,000,000	-	6,278,075,648	(3,706,430,769)	30,826,354	-	9,977,933,235	(404,219,068)	27,251,185,400	1,484,133,299	28,735,318,699
Total comprehensive income	-	-	-	-	-	64,620,206	-	2,172,766,876	-	2,237,387,082	94,928,820	2,332,315,902
<b>Balance, March 31, 2009</b>	75,000,000	15,000,000,000	-	6,278,075,648	(3,706,430,769)	95,446,560	-	12,150,700,111	(404,219,068)	29,488,572,482	1,579,062,119	31,067,634,601
<b>Balance, January 1, 2010</b>	93,750,000	18,750,000,000	(391,643,364)	6,262,027,052	(3,706,430,769)	113,177,323	-	7,681,220,446	-	28,802,100,688	1,529,761,117	30,331,861,805
Total comprehensive income	-	-	-	-	-	9,306,183	-	3,296,629,862	-	3,305,936,045	506,264,426	3,812,200,471
Documentary stamp tax on:												
Preferred shares subscription	-	-	-	-	-	-	-	(131,250)	-	(131,250)	-	(131,250)
Common share subscriptions	-	-	-	-	-	-	-	(1,248,750)	-	(1,248,750)	-	(1,248,750)
Cash dividends (Note 32)	-	-	-	-	-	-	-	(2,256,333,333)	-	(2,256,333,333)	-	(2,256,333,333)
<b>Balance, March 31, 2010</b>	93,750,000	18,750,000,000	(391,643,364)	6,262,027,052	(3,706,430,769)	122,483,506	-	8,720,136,975	-	29,850,323,400	2,036,025,543	31,886,348,943

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

**ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED MARCH 31, 2010 AND 2009**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	4,048,477,104	3,110,704,347
Adjustments for:		
Interest expense (Notes 4 and 21)	863,985,744	552,049,156
Depreciation and amortization (Notes 4 and 9)	834,598,062	159,730,192
Unrealized foreign exchange losses (gains)	(710,626,698)	(1,261,617,089)
Interest income on service concession	-	(508,002,717)
Interest income (Notes 4 and 22)	(135,316,792)	(112,342,767)
Derivatives loss (gain) - net	5,438,076	298,928,076
Reduction in allowance for doubtful accounts (Note 19)	(1,141,061)	(407,121)
Provision for doubtful accounts (Note 19)	43,766	98,196,184
Provision for retirement and other benefits	93,955,258	34,199,137
Impairment loss on noncurrent AFS	-	3,328,633
<b>Operating income before working capital changes</b>	<b>4,999,413,459</b>	<b>2,374,766,031</b>
Decrease (increase) in:		
Trade and other receivables (Notes 6 and 36)	362,079,717	689,897,855
Parts and supplies inventories (Note 7)	(31,452,353)	86,289,395
Service concession receivable (Note 36)	-	1,043,804,724
Due from related parties (Note 27)	(1,879,065)	-
Other current assets	(180,263,549)	(191,333,732)
Increase (decrease) in:		
Trade and other payables (Notes 12 and 36)	(531,005,722)	(48,114,053)
Due to related parties (Note 27)	(18,668,547)	(37,469,065)
Other long-term liabilities	-	(40,786,551)
Royalty fee payable (Note 13)	(70,041,753)	(203,994,159)
<b>Cash generated from operations</b>	<b>4,528,182,187</b>	<b>3,673,060,445</b>
Interest and financing charges paid	(603,331,541)	(365,225,151)
Retirement and other post-retirement benefits paid	(33,632,222)	-
<b>Net cash flows from operating activities</b>	<b>3,891,218,424</b>	<b>3,307,835,294</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	127,037,206	88,742,112
Acquisition of property, plant and equipment (Note 9)	(828,687,405)	(108,180,378)
Addition to intangible assets (Note 10)	-	(168,889,299)
Decrease (increase) in:		
Exploration and evaluation assets	3,137,133	(32,886,378)
Other noncurrent assets (Note 11)	(9,732,266)	(84,347,091)
Amounts due from related parties (Note 27)	-	(41,270,492)
<b>Net cash flows from (used in) investing activities</b>	<b>(708,245,332)</b>	<b>(346,831,526)</b>

	2010	2009
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from:		
Short-term loans	463,840,000	-
Long-term debts (Note 14)	-	4,100,000,000
Payments of:		
Short-term loans	(230,650,000)	-
Long-term debts (Note 14)	(697,522,659)	(450,562,512)
Documentary stamp	(1,380,000)	-
Obligations to power plant contractor (Note 15)	-	(58,835,332)
Increase (decrease) in amounts due to related parties (Note 27)	(175,837,856)	66,805,142
Net cash flows (used in) financing activities	(641,550,515)	3,657,407,298
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,541,422,577</b>	<b>6,618,411,066</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		
<b>ON CASH AND CASH EQUIVALENTS</b>	<b>(23,182,178)</b>	<b>3,952,541</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>11,220,897,158</b>	<b>957,088,260</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>13,739,137,557</b>	<b>7,579,451,867</b>

*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 (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”), are separately incorporated and registered with the Philippine Securities and Exchange Commission (SEC). Below are the Parent Company’s ownership interests in its subsidiaries:

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

\*GCGI is a wholly owned subsidiary through FL Geothermal.

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 established through First Gen’s 60% indirect voting interest in EDC. Meanwhile, First Philippine Holdings Corporation (First Holdings) owns directly 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. Geothermal steam produced is sold to the National Power Corporation (NPC) or 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 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 (TPSC).

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 the investment holding company of its wholly owned subsidiary, GCGI.

GCGI is a special-purpose company incorporated on June 22, 2009 that participated in the bid for another local power plant. GCGI has an authorized capital stock of ₱1.0 million divided into 100,000 shares with a par value of ₱10.00 per share. Total subscribed and paid-up capital is ₱0.25 million, 25% of the authorized capital stock. The bid was successfully awarded to GCGI on September 2, 2009. On February 25, 2010, the SEC approved the increase in GCGI's authorized capital stock from ₱1.0 million to ₱1.0 billion divided into 50 million common shares with par value of ₱10.00 per share and 500 million preferred shares with par value of ₱1.00 per share.

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. EDC Drillco has an authorized capital stock of ₱1.0 million divided into 1,000,000 shares with a par value of ₱1.00 per share. Total subscribed and paid-up capital is ₱0.25 million, 25% of the authorized capital stock.

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

The unaudited interim condensed consolidated financial statements were reviewed and recommended for approval by the Audit and Governance Committee to the Board of Directors (BOD) on April 20, 2010. The same unaudited interim condensed consolidated financial statements were also approved and authorized for issuance by the BOD on April 23, 2010.

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## 2. Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, "Interim Financial Reporting." Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2009.

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

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

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### 3. Significant Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements as of and for the year ended December 31, 2009, except for the adoption of the following new and amended PFRS, Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) and improvements to PFRS, which became effective beginning January 1, 2010, except otherwise stated.

- PFRS 2, *Share-based Payment*: clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3, *Business Combinations* (Revised). The amendment is effective for financial years on or after July 1, 2009.
- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations.
- PFRS 8, *Operating Segment Information*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- PAS 1, *Presentation of Financial Statements*: clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- PAS 7, *Statement of Cash Flows*: explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.
- PAS 17, *Leases*: removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.
- PAS 36, *Impairment of Assets*: clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.
- PAS 38, *Intangible Assets*: clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.
- PAS 39, *Financial Instruments: Recognition and Measurement*: clarifies the following:
  - that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.

- that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.
- that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.
  
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*: clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.
  
- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*: states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

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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 TPSCs and GCGI's sales to various NPC-assigned customers covered by Power Supply Contracts.
- b. Steam segment - These relate to sale of steam to NPC plants covered by SSAs.
- c. All other segments - These relate to segment performing drilling services for Lihir Gold Ltd. and construction services accounted for under IFRIC 12 up to October 22, 2009.

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.

NPC is the main customer for the electricity segment which comprised 73% of the total electricity revenue and the only external customer for the steam segment.

Financial information on the operating segments are summarized as follows:

	Electricity	Steam	All Other Segments	Eliminations	Total
<b>Period Ended March 31, 2010</b>					
<b>(Unaudited)</b>					
Segment revenue from external customers	P6,542,950,511	P440,026,992	P177,501,110	P-	P7,160,478,613
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)	P7,160,478,613
Segment expenses	(3,443,984,159)	(653,289,033)	(166,823,704)	1,210,937,470	(3,053,159,426)
Unallocated segment expenses					(2,674,756)
Segment results	3,152,962,197	943,679,584	10,677,406	-	4,104,644,431
Unallocated interest income	-	-	-	-	135,316,792
Unallocated interest expense	-	-	-	-	(863,985,744)
Unallocated other income - net	-	-	-	-	672,501,625
Unallocated income taxes	-	-	-	-	(245,582,816)
Net income	P3,152,962,197	P943,679,584	P10,677,406	P-	P3,802,894,288

<b>Period Ended March 31, 2009</b>					
<b>(Unaudited)</b>					
Segment revenue from external customers	P4,033,827,336	P1,164,519,897	P346,517,392	P-	P5,544,864,625
Intersegment revenue	-	-	-	-	-
Total segment revenue*	4,033,827,336	1,164,519,897	346,517,392	-	5,544,864,625
Segment expenses	(1,944,297,789)	(670,085,827)	(372,537,598)	-	(2,986,921,214)
Unallocated segment expenses					(3,914,672)
Segment results	2,089,529,547	494,434,070	(26,020,206)	-	2,554,028,739
Unallocated interest income	-	-	-	-	110,734,975
Unallocated interest expense	-	-	-	-	(550,441,364)
Unallocated other income - net	-	-	-	-	996,381,997
Unallocated income taxes	-	-	-	-	(843,008,651)
Net income	P2,089,529,547	P494,434,070	(P26,020,206)	P-	P2,267,695,696

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

	Electricity	Steam	All Other Segments	Eliminations	Total
<b>As of March 31, 2010</b>					
Segment assets	P53,076,375,542	P9,974,128,803	P556,697,272	P-	P63,607,201,617
Unallocated corporate assets					24,390,835,123
Total assets	P53,076,375,542	P9,974,128,803	P556,697,272	P-	P87,998,036,740
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	P34,692,159,360	P12,996,266,918	P1,175,380,994	P-	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
	P454,975,692	P302,131,548	P41,443,947	P-	P828,687,404
Depreciation and amortization	(P718,906,152)	(P112,689,417)	(P2,996,658)	P-	(P834,592,227)
Unallocated depreciation and amortization					(5,835)
	(P718,906,152)	(P112,689,417)	(P2,996,658)	P-	(P834,598,062)
Unallocated impairment loss	(P50,897,659)	(P34,978,546)	(P6,969,148)	P-	(P92,845,353)
Other non-cash items					738,385,488
Unallocated non-cash items	(P50,897,659)	(P34,978,546)	(P6,969,148)	P-	P645,540,135

<b>As of and for the year ended December 31, 2009</b>					
Segment assets	P59,302,543,626	P1,027,087,909	P3,899,590,505	P-	P64,229,222,040
Unallocated corporate assets					20,545,715,486
Total assets	P59,302,543,626	P1,027,087,909	P3,899,590,505	P-	P84,774,937,526
Segment liabilities	P19,252,234,997	P8,337,130,134	P320,677,055	P-	P27,910,042,186
Unallocated corporate liabilities	-	-	-	-	26,533,033,535
Total liabilities	P19,252,234,997	P8,337,130,134	P320,677,055	P-	P54,443,075,721
Capital expenditure	P1,040,058,671	P793,544,660	P1,279,879,950	P-	P3,113,483,281

	Electricity	Steam	All Other Segments	Eliminations	Total
Unallocated capital expenditure					<b>107,852,469</b>
	<b>₱1,040,058,671</b>	<b>₱793,544,660</b>	<b>₱1,279,879,950</b>	<b>₱-</b>	<b>₱3,221,335,750</b>
Depreciation and amortization	<b>(₱1,079,455,372)</b>	<b>(₱64,668,917)</b>	<b>(₱54,667,201)</b>	<b>-</b>	<b>(₱1,198,791,490)</b>
Unallocated depreciation and amortization					<b>(36,117)</b>
	<b>(₱1,079,455,372)</b>	<b>(₱64,668,917)</b>	<b>(₱54,667,201)</b>	<b>-</b>	<b>(₱1,198,827,607)</b>
Unallocated impairment loss					<b>₱349,000,000</b>
Other non-cash items	<b>(₱203,241,825)</b>	<b>(₱272,667,303)</b>	<b>(₱36,782,689)</b>	<b>₱-</b>	<b>(₱512,691,817)</b>
Unallocated non-cash items					<b>217,148,644</b>
	<b>(₱203,241,825)</b>	<b>(₱272,667,303)</b>	<b>(₱36,782,689)</b>	<b>₱-</b>	<b>(₱295,543,173)</b>
<b>As of March 31, 2009</b>					
Segment assets	₱61,250,484,822	₱1,630,533,104	₱1,495,534,822	₱-	₱64,376,552,748
Unallocated corporate assets					10,203,898,064
Total assets	₱61,250,484,822	₱1,630,533,104	₱1,495,534,822	₱-	₱74,580,450,812
Segment liabilities	₱25,660,997,512	₱12,758,169,030	₱299,724,124	-	₱38,718,890,666
Unallocated corporate liabilities					4,793,925,545
Total liabilities	₱25,660,997,512	₱12,758,169,030	₱299,724,124	₱-	₱43,512,816,211
Capital expenditure	₱15,802,371	₱-	₱83,031,352	₱-	₱98,833,723
Unallocated capital expenditure					9,346,654
	₱15,802,371	₱-	₱83,031,352	₱-	₱108,180,377
Depreciation and amortization	(₱147,853,033)	(₱2,477,364)	(₱9,397,960)	₱-	(₱159,728,357)
Unallocated depreciation and amortization					(1,835)
	(₱147,853,033)	(₱2,477,364)	(₱9,397,960)	₱-	(₱159,730,192)
Impairment loss	₱-	₱-	₱-	₱-	₱-
Other non-cash items	(₱18,418,790)	(₱111,172,171)	(₱2,397,239)	₱-	(131,988,200)
Unallocated non-cash items					959,360,380
	(₱18,418,790)	(₱111,172,171)	(₱2,397,239)	₱-	₱827,372,180

The Parent Company has intersegment revenue from/to GCGI for the sale of steam/electricity. Intersegment revenues are all eliminated in consolidation.

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

## 5. Cash and Cash Equivalents

This account consists of the following:

	<b>March 31, 2010 (Unaudited)</b>	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
Cash on hand and in banks	<b>₱ 1,468,036,339</b>	₱259,974,540	₱347,088,624
Cash equivalents	<b>12,271,101,218</b>	10,960,922,617	7,232,363,243
	<b>₱ 13,739,137,557</b>	₱11,220,897,157	₱7,579,451,867

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:

	<b>March 31, 2010 (Unaudited)</b>	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
Trade	<b>₱5,817,225,960</b>	₱5,316,014,965	₱5,122,525,886
Others:			
Non-trade accounts receivable	<b>89,905,989</b>	77,268,776	159,919,653
Loans and notes receivables	<b>67,599,100</b>	67,573,603	62,968,734
Advances to employees	<b>27,476,498</b>	20,826,816	22,597,061
Employee receivables	<b>12,459,619</b>	14,998,506	13,129,956
Claims receivable	<b>161,868</b>	161,218	108,566
Total other receivables	<b>197,603,074</b>	180,828,919	258,723,970
	<b>6,014,829,034</b>	5,496,843,884	5,381,249,856
Less allowance for doubtful accounts	<b>9,597,882</b>	9,597,882	108,791,742
	<b>₱6,005,231,152</b>	₱5,487,246,002	₱5,272,458,114

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, 2010 (Unaudited)</b>	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
On hand:			
Drilling tubular products and equipment spares	<b>₱684,556,279</b>	₱632,635,671	₱532,362,652
Power plant spares	<b>277,154,892</b>	381,569,716	317,462,596
Pump, production/steam gathering system, steam turbine, valves and valve spares	<b>247,750,842</b>	145,216,747	209,928,215
Chemical, chemical products, gases and catalyst	<b>153,651,729</b>	129,029,458	94,778,199
Heavy equipment spares	<b>54,557,007</b>	54,416,254	56,904,799
Electrical, cable, wire product and compressor spares	<b>42,464,984</b>	41,117,775	36,477,680
Measuring instruments, indicators and tools, safety equipment and supplies	<b>26,870,881</b>	34,303,528	33,113,334
Automotive, mechanical, bearing, seals, v-belt, gasket, tires and batteries	<b>25,607,658</b>	22,592,966	34,629,169
Construction and hardware supplies, stationeries and office supplies, hoses, communication and other spares and supplies	<b>11,238,210</b>	11,411,417	7,049,588

	<b>March 31, 2010 (Unaudited)</b>	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
Materials and supplies for disposal (at net realizable value in March 2010 and December 2009; at cost in March 2009)	—	—	35,794,851
	<b>1,523,852,482</b>	1,452,293,532	1,358,501,083
In transit	<b>61,403,358</b>	101,509,955	62,257,115
	<b>₱1,585,255,840</b>	₱1,553,803,487	₱1,420,758,198

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

#### 8. Noncurrent Assets Held for Sale

	<b>March 31, 2010 (Unaudited)</b>	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
Land	₱—	₱—	₱ 1,669,587,000
Buildings, improvements and equipment	—	—	128,000,000
	₱—	₱—	₱1,797,587,000

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

The 19,785 square meters of land and buildings together with the improvements and immovable equipment were sold for ₱1,127.75 million and ₱124 million, respectively, through a deed of absolute sale dated May 29, 2009. The said sale resulted in the recognition of loss on sale amounting to ₱91.42 million for the excess of the cost of the building over its selling price and the related documentary stamp and other taxes paid.

The remaining 9,506 square meters portion of the land were sold for ₱541.84 million through a deed of absolute sale dated December 16, 2009. The said sale resulted in the recognition of loss on sale amounting to ₱38.45 million for the related documentary stamp and other taxes paid.

The Parent Company and PNOC also entered into a contract of lease for the Parent Company's use of the office buildings at Fort Bonifacio with the rental rate of ₱4.18 million per month, inclusive of VAT. This contract commenced on June 1, 2009 and will expire on November 30, 2011.

## 9. Property, Plant and Equipment

March 31, 2010 (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	Total
<b>Cost:</b>											
Balance at January 1, 2010	₱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
Additions	–	–	6,942,302	72,294,999	1,165,599	9,852,844	9,616,361	887,490	1,314,679	726,613,130	828,687,404
Retirements/Write-off	–	–	–	(90,742)	(574,567)	(210,989)	–	–	68,073	–	(808,225)
Reclassifications	–	–	1,760,405,363	(2,332,933)	–	(266,196)	182,857	–	(1,110,105)	(1,760,234,777)	(3,355,791)
Balance at March 31, 2010	35,191,229,893	14,407,980,612	6,305,425,874	3,722,527,387	78,369,610	427,901,210	430,245,439	333,970,195	87,124,771	2,416,063,514	63,400,838,505
<b>Accumulated depreciation and impairment:</b>											
Balance at January 1, 2010	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
Depreciation for the period	477,457,739	149,306,889	76,865,173	71,959,895	1,275,546	15,805,616	17,879,415	–	–	–	810,550,273
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	906,676,599	475,977,410	678,262,755	1,126,700,518	56,914,092	194,434,262	77,938,056	–	–	–	3,516,903,692
<b>Net book value</b>	<b>₱34,284,553,294</b>	<b>₱13,932,003,202</b>	<b>₱5,627,163,119</b>	<b>₱2,595,826,869</b>	<b>₱ 21,455,518</b>	<b>₱233,466,948</b>	<b>₱352,307,383</b>	<b>₱333,970,195</b>	<b>₱87,124,771</b>	<b>₱2,416,063,514</b>	<b>₱59,883,934,813</b>
December 31, 2009 (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	Total
<b>Cost:</b>											
Balance at January 1, 2009	₱–	₱–	₱3,856,663,035	₱1,198,403,584	₱72,844,529	₱208,031,987	₱58,900,151	₱332,797,023	₱21,088,394	₱1,073,721,431	₱6,822,450,134
Acquisition through business combination	9,156,164,393	–	314,961,938	144,127,759	–	45,000	229,963,077	–	–	320,120,490	10,165,382,657
Additions	–	–	74,855,254	1,273,742,920	700,000	26,082,652	25,671,715	285,682	33,297,159	1,786,700,368	3,221,335,750
Retirements/Write-off	–	–	(324,237,384)	(1,590,259)	(3,927,300)	(5,284,918)	–	–	(13,861)	–	(335,053,722)
Reclassifications	–	–	(8,664,749)	201,513,627	1,057,740	(1,712,361)	(97,299)	–	32,480,432	(206,810,143)	17,767,247
Impact of conversion of GSCs to GRESCs	26,035,065,500	14,407,980,612	624,500,115	836,458,432	7,103,609	191,363,191	106,008,577	–	–	475,953,015	42,684,433,051
Balance at December 31, 2009	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
<b>Accumulated depreciation and impairment:</b>											
Balance at January 1, 2009	–	–	444,527,765	856,086,805	51,248,444	145,019,664	45,417,915	–	–	–	1,542,300,593
Depreciation for the year	307,351,455	99,537,926	207,384,264	203,508,319	7,581,791	27,738,911	14,618,815	–	–	–	867,721,481
Impairment – NNGPF	121,867,405	227,132,595	–	–	–	–	–	–	–	–	349,000,000
Retirements/Write-off	–	–	(50,662,092)	(1,590,250)	(3,927,292)	(5,206,754)	–	–	–	–	(61,386,388)
Reclassifications	–	–	122,630	(11,231,567)	1,310,169	11,270,946	20,462	–	–	–	1,492,640
Balance at December 31, 2009	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
<b>Net book value</b>	<b>₱34,762,011,033</b>	<b>₱14,081,310,091</b>	<b>₱3,936,705,642</b>	<b>₱2,605,882,756</b>	<b>₱21,565,466</b>	<b>₱239,702,784</b>	<b>₱360,389,029</b>	<b>₱333,082,705</b>	<b>₱86,852,124</b>	<b>₱3,449,685,161</b>	<b>₱59,877,186,791</b>

March 31, 2009 (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	Total
Cost:											
Balance at January 1, 2009	₱-	₱-	₱3,856,663,035	₱1,198,403,584	₱72,844,529	₱208,031,987	₱58,900,151	₱332,797,023	₱21,088,394	₱1,073,721,431	₱6,822,450,134
Additions	-	-	1,704,543	78,831,793	-	1,913,270	617,014	88,343	2,910,000	22,115,415	108,180,378
Retirements/Write-off	-	-	-	-	(1,774,200)	(1,096,252)	-	-	5,408	-	(2,865,044)
Reclassifications	-	-	-	196,694,446	-	1,670,488	867,866	-	57,412,948	(472,020)	256,173,728
Balance at March 31, 2009	-	-	3,858,367,578	1,473,929,823	71,070,329	210,519,493	60,385,031	332,885,366	81,416,750	1,095,364,826	7,183,939,196
Accumulated depreciation and impairment:											
Balance at January 1, 2009	-	-	444,527,764	856,086,805	51,248,444	145,019,663	45,417,916	-	-	-	1,542,300,592
Depreciation for the period	-	-	53,175,411	3,820,914	2,098,977	5,015,128	1,097,483	-	-	-	65,207,913
Retirements/Write-off	-	-	-	-	(1,774,197)	(1,090,845)	-	-	-	-	(2,865,044)
Reclassifications	-	-	-	10,859,531	-	20,117	-	-	-	-	10,879,650
Balance at March 31, 2009	-	-	497,703,175	870,767,250	51,573,224	148,964,063	46,515,399	-	-	-	1,615,523,111
Net book value	₱-	₱-	₱3,360,664,403	₱603,162,573	₱19,497,105	₱61,555,430	₱13,869,632	₱332,885,366	₱81,416,750	₱1,095,364,826	₱5,568,416,085

Details of depreciation and amortization charges are shown below:

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
Property, plant and equipment	₱810,550,273	₱867,721,481	₱65,207,913
Intangible assets	24,047,789	331,106,126	94,522,279
Depreciation and amortization	₱834,598,062	₱1,198,827,607	₱159,730,192
Operating expenses	₱787,122,803	₱1,149,495,181	₱56,241,025
General and administrative	23,427,470	49,332,426	8,966,888
Depreciation	₱810,550,273	₱1,198,827,607	₱65,207,913

## 10. Intangible Assets

March 31, 2010 (Unaudited)				
	Intangible Assets Arising from Service Concessions	Water Rights	Goodwill	Total
<b>Cost:</b>				
Balance at January 1, 2010	P-	P2,404,778,918	P293,316,082	P2,698,095,000
Additions	-	-	-	-
Balance at March 31, 2010	-	2,404,778,918	293,316,082	P2,698,095,000
<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>P-</b>	<b>P 2,080,133,764</b>	<b>P293,316,082</b>	<b>2,373,449,846</b>
December 31, 2009 (Audited)				
	Intangible Assets Arising from Service Concessions	Water Rights	Goodwill	Total
<b>Cost:</b>				
Balance at January 1, 2009	P9,835,385,122	P2,404,778,918	P293,316,082	P12,533,480,122
Additions	541,458,209	-	-	541,458,209
Reversal arising from conversion of GSCs to GRESCs	(10,376,843,331)	-	-	(10,376,843,331)
Balance at December 31, 2009	-	2,404,778,918	293,316,082	2,698,095,000
<b>Accumulated amortization:</b>				
Balance at January 1, 2009	446,192,031	204,406,208	-	650,598,239
Amortization	234,914,969	96,191,157	-	331,106,126
Reversal arising from conversion of GSCs to GRESCs	(681,107,000)	-	-	(681,107,000)
Balance at December 31, 2009	-	300,597,365	-	300,597,365
<b>Net book value</b>	<b>P-</b>	<b>P2,104,181,553</b>	<b>P293,316,082</b>	<b>P2,397,497,635</b>
March 31, 2009 (Unaudited)				
	Intangible Assets Arising from Service Concessions	Water Rights	Goodwill	Total
<b>Cost:</b>				
Balance at January 1, 2009	P9,835,385,122	P2,404,778,918	P293,316,082	P12,533,480,122
Additions	168,889,299	-	-	168,889,299
Balance at March 31, 2009	10,004,274,421	2,404,778,918	293,316,082	12,702,369,421
<b>Accumulated amortization:</b>				
Balance at January 1, 2009	446,192,031	204,406,208	-	650,598,239
Amortization	70,474,490	24,047,789	-	94,522,279
Balance at March 31, 2009	516,666,521	228,453,997	-	745,120,518
<b>Net book value</b>	<b>P9,487,607,900</b>	<b>P2,176,324,921</b>	<b>P293,316,082</b>	<b>P11,957,248,903</b>

## 11. Other Noncurrent Assets

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
Long-term receivables	P2,442,936,376	P2,444,082,251	P2,279,012,908
Input VAT	744,957,534	657,733,453	535,638,888
Prepaid expenses	46,371,239	58,530,604	21,634,058
Special deposits and funds	49,892,176	48,361,874	37,217,641
Others	42,989,082	101,340,545	34,807,925
	<b>3,327,146,407</b>	<b>3,310,048,727</b>	<b>2,908,311,420</b>
Less allowance for doubtful accounts	1,953,391,244	1,954,488,539	1,961,800,958
	<b>P1,373,755,163</b>	<b>P1,355,560,188</b>	<b>P946,510,462</b>

### Long-term receivables

The composition of long-term receivables is as follows:

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
Claims for VAT refund	P2,408,505,632	P2,408,505,632	P1,894,719,994
NPC accounts and other receivables	34,430,744	35,576,619	384,292,914
	<b>P2,442,936,376</b>	<b>P2,444,082,251</b>	<b>P2,279,012,908</b>

## 12. Trade and Other Payables

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
Accounts payable - trade	P5,147,838,492	P2,832,923,865	P2,077,280,045
Accrued interest and guarantee fees	1,223,354,504	923,147,531	655,728,625
Withholding and other taxes payable	139,181,132	194,692,777	56,511,741
Deferred credits	89,861,740	15,012,705	20,971,398
SSS and other contributions payable	2,797,960	8,768,580	11,514,749
Accrued premium on range bonus forwards	-	-	247,567,485
Other payables	167,301,290	10,507,987	34,498,026
	<b>P6,770,335,118</b>	<b>P3,985,053,445</b>	<b>P3,104,072,069</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.

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### 13. Royalty Fee Payable

	<b>March 31, 2010 (Unaudited)</b>	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
Due to DOE and LGU	<b>₱755,745,137</b>	<b>₱811,004,709</b>	₱1,548,362,528
Less current portion	<b>264,523,897</b>	<b>244,306,963</b>	1,548,362,528
Noncurrent portion	<b>₱491,221,240</b>	<b>₱566,697,746</b>	₱-

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

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

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

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### 14. Long-term Debt

	<b>March 31, 2010 (Unaudited)</b>	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
Total Dollar-denominated debt	<b>₱4,606,026,389</b>	₱4,929,853,232	₱6,502,488,755
Total Japanese Yen-denominated debt	<b>17,053,329,108</b>	17,788,935,791	24,133,732,215
Total Peso-denominated debt	<b>24,431,788,051</b>	24,745,709,368	4,088,628,284
	<b>46,091,143,548</b>	47,464,498,391	34,724,849,254
Current portion	<b>(16,448,262,368)</b>	(16,930,776,636)	(8,347,850,984)
Long-term portion	<b>₱29,642,881,180</b>	₱30,533,721,755	₱26,376,998,270

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=JPY92.790: USD1=PHP45.170 on March 31, 2010, USD1=JPY91.634: USD1=PHP46.200 on December 31, 2009 and USD1=JPY97.172: USD1=PHP48.330 on March 31, 2009).

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### 15. Energy Conversion Agreement

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

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### 16. Equity

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

The Parent Company had 677 common stockholders and one preferred stockholder as of March 31, 2010, 662 common stockholders and one preferred stockholder as of December 31, 2009 and 654 common stockholders and one preferred stockholder as of March 31, 2009.

The movements of common and preferred shares are as follows:

	Number of Shares		
	<b>March 31, 2010 (Unaudited)</b>	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
<b>Preferred stock - ₱0.01 par value</b>			
Authorized	<b>15,000,000,000</b>	15,000,000,000	7,500,000,000
Issued and outstanding:			
Balance at beginning of year	<b>7,500,000,000</b>	7,500,000,000	7,500,000,000
Additional subscriptions	<b>1,875,000,000</b>	1,875,000,000	-
Issuances	-	-	-
Balance at end of year	<b>9,375,000,000</b>	9,375,000,000	7,500,000,000
<b>Common stock - ₱1 par value</b>			
Authorized	<b>30,000,000,000</b>	30,000,000,000	15,000,000,000
Issued:			
Balance at beginning of year	<b>15,000,000,000</b>	15,000,000,000	15,000,000,000
Stock dividends - 25%	<b>3,750,000,000</b>	3,750,000,000	-
Issuances	-	-	-
Balance at end of year	<b>18,750,000,000</b>	18,750,000,000	15,000,000,000
Outstanding:			
Balance at beginning of year	<b>14,907,000,000</b>	14,907,000,000	15,000,000,000
Stock dividends - 25%	<b>3,750,000,000</b>	3,750,000,000	-
Issuances	<b>93,000,000</b>	93,000,000	-
Common shares held in treasury	-	-	(93,000,000)
Balance at end of year	<b>18,750,000,000</b>	18,750,000,000	14,907,000,000

#### 17. Purchased Services and Utilities

	<b>March 31, 2010 (Unaudited)</b>	March 31, 2009 (Unaudited)
Professional and technical services	<b>₱ 189,278,464</b>	₱400,872,339
BOT fees	-	109,291,752
Hauling and handling costs	<b>31,771,122</b>	43,803,700
Purchased services	<b>52,541,500</b>	25,878,635
Contractual personnel costs	<b>42,635,457</b>	12,333,030
Rig mobilization charges	<b>20,428,711</b>	3,190,766
Purchased utilities	<b>693,240</b>	5,122,204
Others	<b>2,678,400</b>	1,888,677
	<b>₱340,026,894</b>	₱602,381,103

**18. Operations and Maintenance Expenses**

	<b>March 31, 2010 (Unaudited)</b>	March 31, 2009 (Unaudited)
Repairs and maintenance	<b>₱314,806,121</b>	₱508,023,433
Personnel costs	<b>387,239,542</b>	328,370,318
Materials and supplies issued	<b>151,070,801</b>	203,823,561
Rental, insurance and taxes	<b>203,434,905</b>	225,276,948
Royalty fees	<b>52,164,819</b>	135,087,038
Business and related expenses	<b>16,389,958</b>	27,711,735
	<b>₱1,125,106,146</b>	₱1,428,293,033

**19. General and Administrative Expenses**

	<b>March 31, 2010 (Unaudited)</b>	March 31, 2009 (Unaudited)
Personnel costs	<b>₱238,645,391</b>	₱202,710,711
Rental, insurance and taxes	<b>168,797,192</b>	98,254,542
Purchased services and utilities	<b>200,986,932</b>	143,773,754
Business and related expenses	<b>53,374,503</b>	47,513,267
Materials and supplies issued	<b>44,087,334</b>	26,629,677
Repairs and maintenance	<b>51,309,023</b>	6,321,627
Provision for doubtful accounts	<b>43,766</b>	98,196,184
Reduction in allowance for doubtful accounts	<b>(1,141,061)</b>	(407,121)
Others	-	31,844,694
	<b>₱756,103,080</b>	₱654,837,335

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

	<b>March 31, 2010 (Unaudited)</b>	March 31, 2009 (Unaudited)
Foreign exchange gains (losses) on long-term loans	<b>₱747,029,246</b>	₱1,257,993,819
Foreign exchange losses on other accounts	<b>(72,236,673)</b>	20,045,730
	<b>₱674,792,573</b>	₱1,278,039,549

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		
	March 31, 2010	December 31, 2009	March 31, 2009
Japanese Yen	<b>92.790</b>	91.634	97.172
Philippine Peso	<b>45.170</b>	46.200	48.330

## 21. Interest Expense

	March 31, 2010 (Unaudited)	March 31, 2009 (Unaudited)
Interest on long-term debt including amortization of transaction costs	<b>₱843,946,481</b>	₱251,640,237
Interest on loan payable	<b>3,334,410</b>	124,463,798
Interest accretion of "Day 1" gain	<b>14,782,182</b>	54,003,762
Interest on liability from litigation	<b>1,922,671</b>	120,362,037
	<b>863,985,744</b>	550,469,834
Amounts included in the cost of qualifying assets	-	(28,470)
	<b>₱863,985,744</b>	₱550,441,364

## 22. Interest Income

	March 31, 2010 (Unaudited)	March 31, 2009 (Unaudited)
Interest on placements	<b>₱128,394,712</b>	₱85,008,510
Accretion of "day 1 loss" on NPC receivable	<b>6,007,914</b>	23,353,754
Interest on savings/current accounts	<b>342,672</b>	1,878,487
Interest on overdue accounts/others	<b>571,494</b>	494,224
	<b>₱135,316,792</b>	₱110,734,975

## 23. Miscellaneous Income (Charges)

	March 31, 2010 (Unaudited)	March 31, 2009 (Unaudited)
Gain on sale of surplus assets and obsolete materials inventory	<b>₱769,204</b>	₱5,757,086
Contractors/suppliers penalty charges	<b>546,634</b>	1,545,234
Impairment loss on AFS investments	-	(3,328,633)
Others	<b>1,831,290</b>	13,296,837
	<b>₱3,147,128</b>	₱17,270,524

## 24. Revenue from Arbitration Award

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

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

Tranche	Settlement Amount	Payment Term	Actual Date of Settlement
First	₱500.00 million	30 days from submission of JMU to the Office of the Voluntary Arbitrator	July 15, 2008
Second	500.00 million	60 days from submission of JMU to	July 15, 2008

		the Office of the Voluntary Arbitrator	
Third	1,000.00 million	January 2009	February 2, 2009
Fourth	894.93 million	January 2010	Pending collection as of March 31, 2010
	<u>₱2,894.93 million</u>		

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

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

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## 25. Earnings Per Share (EPS)

The EPS amounts were computed as follows:

	<b>March 31, 2010 (Unaudited)</b>	March 31, 2009 (Unaudited)
(a) Net income attributable to equity shareholders of the parent	<b>₱3,296,629,862</b>	₱2,172,766,876
Less dividends on preferred shares	<b>7,500,000</b>	6,000,000
(b) Net income attributable to common shareholders of the parent	<b>₱3,289,129,862</b>	₱2,166,766,876
(c) Weighted average numbers of shares for EPS	<b>18,750,000,000</b>	14,907,000,000
<b>Basic/diluted EPS (b/c)</b>	<b>₱0.175</b>	₱0.145

The Company does not have dilutive common stock equivalents.

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## 26. 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, 2010 (Unaudited)</b>	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
Deferred tax assets-net	<b>₱925,343,913</b>	₱959,273,421	₱3,075,897,469
Deferred tax liabilities-net	<b>(22,057,462)</b>	(17,340,023)	(7,584,542)
	<b>₱903,286,451</b>	₱941,933,398	₱3,068,312,927

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## 27. 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, 2010 and 2009.

a. First Balfour, Inc. (First Balfour)

Following the usual bidding process in 2008, the Parent Company awarded to First Balfour a procurement contract amounting to ₱360.0 million for various civil, structural, mechanical and piping works for the LGPF. The advance payment of ₱54.0 million, 15% of the contract amount, was recorded under “Other current assets” account.

In 2009, the advance payment was fully recouped from its progress billings.

As of March 31, 2010, the outstanding balance of ₱29.4 million was recorded under “Due to related parties” account which pertained to accrual of progress billings and the 10% retention.

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 and 2008, FG Hydro availed of unsecured, interest-bearing and US dollar-denominated cash advances from First Gen. Said advances are due and demandable and bear interest of 5.29%. The outstanding balance as of March 31, 2010 and 2009 included in the “Due to related parties” account amounting to ₱312.22 million and ₱89.67 million, respectively.

c. IFC

The Parent Company entered into a loan agreement with the IFC, a shareholder of the Company, on November 27, 2008 for \$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, 2010, the outstanding loan amounted to ₱4,026.88 million, net of unamortized transaction cost of ₱73.12 million and included under the “Long-term debts” account.

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 Philippine Holdings Corporation, parent company of First Gen, is an associate of Benpres Holding Corporation.

Following are the amounts of transactions for the periods ended March 31, 2010 and 2009 and outstanding balances as of March 31, 2010 and 2009 and December 31, 2009:

Related Party	Nature of Transaction	Transactions for the period ended March 31		Net amount Due from (to) Related Parties		
		2010	2009	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
First Gen	Interest-free advances	<b>₱1,879,065</b>	–	<b>₱1,879,065</b>	–	–
First Gen	Interest-bearing advances (payment)	<b>(₱191,919,949)</b>	₱26,193,783	<b>(₱312,215,707)</b>	(₱504,135,656)	(₱87,000,891)
	Consultancy fee	<b>26,931,765</b>	30,705,882	–	–	(9,744,000)
	Interest-free advances	<b>2,709,905</b>	–	–	(2,709,905)	–
First Balfour, Inc.	Steam augmentation contract in Leyte	<b>15,310,083</b>	32,496,828	<b>(29,438,812)</b>	(29,438,812)	–
Buang Private Power Corporation	Interest-free advances (payment)	–	(150,286)	–	–	–
First Gas Holdings Corporation	Interest-free advances	<b>123,450</b>	123,450	<b>(697,551)</b>	(574,100)	(205,750)
IFC	Interest-bearing loans	–	4,170,132,778	<b>(4,170,132,778)</b>	(4,170,132,778)	(4,170,132,778)
First Gas Power Corporation	Interest-free advances	–	29,866	<b>(150,677)</b>	(150,677)	(29,866)
Eugenio Lopez Foundation, Inc.	Donation to Lopez Museum	–	–	–	–	–
Lopez Group Foundation, Inc.	Donation to support Group's Corporate Social Responsibility efforts	–	–	–	–	–
Benpres Holdings Corporation	Budget expense allocation	–	–	–	–	–
Red Vulcan	Interest-free advances	–	–	<b>(11,059)</b>	(11,059)	–
		<b>(₱146,844,746)</b>	<b>₱4,259,532,301</b>	<b>(₱4,512,646,584)</b>	<b>(₱4,707,152,987)</b>	<b>(₱4,267,113,285)</b>

There were no guarantees provided or received for any related party. The Company has not recognized any impairment loss on receivables from related parties as of March 31, 2010 and 2009 and December 31, 2009.

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

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

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**29. 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**

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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**30. 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 2009.

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

There are no issuances, repurchases and repayments of debt and equity securities during the current period.

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**32. Dividend Declarations**

Cash Dividends

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

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

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

Stock dividends

On May 19, 2009 and June 30, 2009, the BOD and the stockholders during the annual stockholders' meeting, respectively, approved the increase in authorized capital stock of the Parent Company. The increase in authorized capital stock from ₱15.075 billion to ₱30.15 billion divided into 30 billion common shares with a par value of ₱1.00 and 15.0 billion preferred shares with a par value of ₱0.01 per share, shall be effected through the declaration of a 25% stock dividend in the outstanding common shares, and the subscription by the current preferred stockholders to ₱18.75 million, representing 25% of the increase in the preferred shares.

On October 12, 2009, the SEC approved the increase in the Parent Company's authorized capital stock from ₱15.075 billion to ₱30.15 billion divided into 30 billion common shares with a par

value of ₱1.00 per share and 15.0 billion preferred shares with a par value of ₱0.01 per share by way of common stock dividends (totaling 3.75 billion common shares with any fractional shares being subscribed by the EDC Retirement Fund and/or Trust for the EDC Executive/Employee Stock Ownership Plan) and the subscription by the current preferred stockholders to 1.875 billion preferred shares, representing 25% of the increase in the preferred shares at par value.

The stock dividends were distributed on November 23, 2009 to stockholders as of the record date of October 27, 2009.

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**33. 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**

There are no material changes in the composition of the registrant during the period.

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**34. 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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**35. 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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**36. Financial Risk Management Objectives and Policies**

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

Risk Management Strategy

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

Financial Risk Management Policy

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





March 31, 2009 (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>							
on PCIR Bonds							
Royalty fee chargeable to NPC	64,054	-	-	-	-	-	64,054
AFS investments:							
Debt investments	746,516	-	-	-	-	-	746,516
Equity investments	14,113	-	-	-	-	-	14,113
Financial assets at FVPL:							
Derivative assets	415,803	-	-	-	-	-	415,803
<b>Total</b>	<b>P48,186,847</b>	<b>P6,900</b>	<b>P65,329</b>	<b>P1,611</b>	<b>P347</b>	<b>P483,487</b>	<b>P48,744,521</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 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, 2010 and 2009 and December 31, 2009, financial assets categorized as neither past due nor impaired are viewed by management as high grade, considering the collectability of the receivables and the credit history of the counterparties. Financial assets that are classified as past due but not impaired are considered as standard grade since based on management's assessment as of March 31, 2010 there is an assured collection on these accounts, thus no provision for doubtful accounts has been recognized thereof.

#### Foreign Currency Risk

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

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

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

The Company's foreign currency-denominated financial assets and liabilities (translated into Philippine peso) as of March 31, 2010 and 2009 and December 31, 2009, are as follows:

	March 31, 2010 (Unaudited)			March 31, 2009 (Unaudited)		
	Original Currency		Peso	Original Currency		Peso
	Japanese Yen	US Dollar	Equivalent <sup>1</sup>	Japanese Yen	US Dollar	Equivalent <sup>2</sup>
<b>Financial Assets</b>						
Loans and receivables:						

	March 31, 2010 (Unaudited)			March 31, 2009 (Unaudited)		
	Original Currency		Peso Equivalent <sup>1</sup>	Original Currency		Peso Equivalent <sup>2</sup>
	Japanese Yen	US Dollar		Japanese Yen	US Dollar	
Cash equivalents	-	70,643,377	3,190,961,343	-	12,448,293	601,625,980
Cash on hand and in banks	-	4,595,145	207,562,697	296,577	426,104	20,741,092
Trade and other receivables	-	3,922,125	177,162,404	-	3,968,147	191,780,528
Cash collateral on PCIR						
Bonds	-	-	-	-	74,058	3,579,226
AFS investments -						
Government debt securities	-	283,179	12,791,194	-	13,710,000	746,515,813
Financial assets at FVPL:						
Derivative assets	-	16,154,347	729,691,852	-	8,603,414	415,803,002
<b>Total financial assets</b>	<b>-</b>	<b>95,598,173</b>	<b>4,318,169,490</b>	<b>296,577</b>	<b>39,230,016</b>	<b>1,980,045,641</b>
<b>Current Financial Liabilities</b>						
Liabilities at amortized cost:						
Trade and other payables	15,340,980	2,105,899	102,591,397	626,747,872	7,904,408	823,261,889
Short-term payable	-	-	-	-	-	-
Accrued interest and guarantee fees	528,442,287	2,482,324	369,371,299			
Current portion of interest-bearing financial liabilities	26,143,651,975	61,872,594	15,521,466,399	13,850,430,460	30,282,415	8,347,850,984
Due to related parties		6,912,094	312,219,299			
Current portion of obligations to a power plant contractor	-	-	-	1,122,729	54,261,525	1,122,729
Financial liabilities at FVPL -						
Derivative liabilities	-	190,943	8,624,881	973,531	47,050,740	973,531
<b>Total current financial liabilities</b>	<b>26,687,435,242</b>	<b>73,563,854</b>	<b>16,314,273,275</b>	<b>14,477,178,332</b>	<b>40,283,083</b>	<b>9,272,425,138</b>
<b>Noncurrent Financial Liabilities</b>						
Liabilities at amortized cost:						
Interest-bearing financial liabilities - net of current portion	8,680,836,539	40,946,914	6,075,387,241	34,672,845,769	104,261,114	22,288,369,986
<b>Total noncurrent financial liabilities</b>	<b>8,680,836,539</b>	<b>40,946,914</b>	<b>6,075,387,241</b>	<b>34,672,845,769</b>	<b>104,261,114</b>	<b>22,288,369,986</b>
<b>Total financial liabilities</b>	<b>35,368,271,781</b>	<b>114,510,768</b>	<b>22,389,660,516</b>	<b>49,150,024,101</b>	<b>144,544,197</b>	<b>31,560,795,124</b>

<sup>1</sup>USD1=JPY92.79 and USD1= P45.17<sup>21</sup>USD1=JPY98.37and USD1= P48.330

	December 31, 2009 (Audited)		
	Original Currency		Peso Equivalent <sup>1</sup>
	Yen	US Dollar	
<b>Financial Assets</b>			
Loans and receivables:			
Cash equivalents	-	35,882,643	1,657,778,096
Cash on hand and in banks	-	2,176,322	100,546,084
Trade and other receivables	-	4,946,733	228,539,071
Cash collateral on PCIR Bonds	-	-	-
AFS investments:			
Government debt securities	-	15,905,000	734,811,000
Financial assets at FVPL:			
Derivative assets	-	208,031	9,611,022
<b>Total financial assets</b>	<b>-</b>	<b>59,118,729</b>	<b>2,731,285,273</b>
<b>Current Financial Liabilities</b>			
Liabilities at amortized cost:			
Trade and other payables	2,153,900	3,195,225	148,705,325
Current portion of interest-bearing financial liabilities	26,309,860,127	65,759,866	16,303,002,458
Current portion of obligations to a power plant contractor	-	-	-
Due to related Party		10,912,094	504,138,756
Interest on long term loans	500,091,989	3,510,193	414,307,135
Financial liabilities at FVPL:			
Derivative liabilities	-	-	-
<b>Total current financial liabilities</b>	<b>26,812,106,016</b>	<b>83,377,378</b>	<b>17,370,153,674</b>
<b>Noncurrent Financial Liabilities</b>			
Liabilities at amortized cost:			
Interest-bearing financial liabilities - net of current portion	8,973,004,364	40,946,914	6,415,753,795

	December 31, 2009 (Audited)		
	Original Currency		Peso
	Yen	US Dollar	Equivalent <sup>1</sup>
Total noncurrent financial liabilities	8,973,004,364	40,946,914	6,415,753,795
Total financial liabilities	35,785,110,380	124,324,292	23,785,907,469

<sup>1</sup>USD1=JPY90.942 and USD1= P47.520

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar and Japanese yen exchange rates, with all other variables held constant, of the Company's income before income tax as at March 31, 2010 and 2009 (arising from revaluation of monetary assets and liabilities and derivative instruments).

<b>March 31, 2010 (Unaudited)</b>		
	<b>Foreign Currency Appreciates (Depreciates) By</b>	<b>Effect on Income Before Income Tax</b>
USD	<b>10% or PHP4.62</b> <b>(10% or PHP4.62)</b>	<b>(P87,321,842)</b> <b>79,777,570</b>
JPY	<b>10% or PHP0.05409</b> <b>(10% or PHP0.04425)</b>	<b>(2,480,723,074)</b> <b>2,029,682,515</b>
EURO <sup>(a)</sup>	<b>10% against USD</b> <b>(10% against USD)</b>	<b>8,366,292</b> <b>(822,020)</b>
<b>March 31, 2009 (Unaudited)</b>		
	<b>Foreign Currency Appreciates (Depreciates) By</b>	<b>Effect on Income Before Income Tax</b>
USD	10% or PHP4.833 (10% or PHP4.833)	(P532,055,600) 509,184,040
JPY	10% or PHP0.05459 (10% or PHP0.04467)	(2,683,083,626) 2,195,518,329
EURO <sup>(a)</sup>	10% against USD (10% against USD)	35,038,951 (12,167,391)

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

#### Equity Price Risk

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

As of March 31, 2010 and 2009 and December 31, 2009, the Company's exposure to equity price risk is minimal.

#### Interest Rate Risk

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

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

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

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax and equity as of March 31, 2010 and 2009. The effect also includes impact of change in interest rates on derivatives.

<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</b>
PHP	+100 -100	₱- -	₱- -
USD	+100 -100	(17,528,873) 17,557,338	(17,900,197) 32,487,460
JPY	+100 -100	(12,049,391) 12,077,875	- -
EURO	+100 -100	(135,668,56) 156,309	- -

<b>March 31, 2009 (Unaudited)</b>			
	<b>Increase/Decrease in Basis Points</b>	<b>Effect on Profit Before Tax</b>	<b>Effect on Equity</b>
PHP	+100 -100	(₱15,000,000) 15,000,000	- -
USD	+100 -100	(31,320,337) 31,320,337	(30,581,887) 30,506,465
JPY	+100 -100	(16,704,975) 16,704,975	- -
EURO	+100 -100	(1,870,022) 3,946,866	- -

#### Interest Rate Risk Table

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

	Interest Rates	<b>More than 1</b>				Total
		<b>Within 1 Year</b>	<b>Year but less than 4 Years</b>	<b>4-5 Years</b>	<b>More than 5 Years</b>	
<b>March 31, 2010</b>						
<i>In Pesos</i>						
<b>(Unaudited)</b>						
<b>Fixed Rate</b>						
<b>Long-term debt:</b>						
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	989,898,397
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	2,564,458,889
Power Sector Assets and Liabilities Management Corporation (PSALM) Loan FCRN Series 1	12.00%	266,126,170	344,564,303	62,666,656	-	673,357,129
	8.37%	212,327,324	321,360,275	103,294,374	-	636,981,973

	Interest Rates	Within 1 Year	More than 1 Year but less than 4 Years	4-5 Years	More than 5 Years	Total
FCRN Series 2	9.4%	443,208,779	801,663,380	517,336,209	142,713,437	1,904,921,805
FCRN 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	653,280,000	2,286,511,500
<b>March 31, 2010</b>						
<b>Floating Rate</b>						
<b>Long-term debt:</b>						
IBRD	7.54%	83,169,044	–	–	–	83,169,044

	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>						
December 31, 2009 (Audited)						
Fixed Rate						
Long-term debt:						
OECF	3%–5.7%	₱60,537,010	₱16,188,372	₱10,868,953	₱24,610,024	₱112,204,359
JEXIM(a) 3747	3.5%	30,638,316	–	–	–	30,638,316
JBIC(b) 21st yen	2.3% & 2.7%	118,769,086	217,172,635	189,336,278	559,726,781	1,085,004,780
Miyazawa II	2.37%	131,440,868	–	–	–	131,440,868
PSALM Loan	12.00%	272,194,577	352,421,315	64,095,628	–	688,711,520
IFC	7.40%	307,613,889	609,644,375	525,471,944	1,096,559,236	2,539,289,444
FRCN Series 1	8.37%	223,804,477	361,530,309	166,418,714	–	751,753,500
FRCN Series 2	9.4%	454,720,695	841,997,994	600,585,714	237,855,729	2,135,160,132
FRCN Series 3	8.43%	108,088,982	209,168,781	96,284,042	–	413,541,805
Public Bonds						
Series 1	8.64%	734,553,000	1,469,106,000	1,469,106,000	367,276,500	4,040,041,500
Series 2	9.33%	326,644,500	653,289,000	653,289,000	653,289,000	2,286,511,500
<b>December 31, 2009</b>						
<b>Floating Rate</b>						
<b>Long-term debt:</b>						
IBRD	7.54%	169,684,783	–	–	–	169,684,783

	Interest Rates	Within 1 Year	2-3 Years	4-5 Years	More than 5 Years	Total
<i>(In Thousand Pesos)</i>						
March 31, 2009 (Unaudited)						
Fixed Rate						
Long-term debt:						
OECF	3%–5.7%	₱539,981	₱722,013	₱242,605	₱621,731	₱2,126,330
JEXIM <sup>(a)</sup> 3747	3.5%	236,527	816,865	–	–	1,053,392
JBIC <sup>(b)</sup> 21 <sup>st</sup> yen	2.3% & 2.7%	368,999	718,152	691,025	3,837,816	5,615,992
Miyazawa I	2.63% & 3.78%	5,988,038	–	–	–	5,988,038
Miyazawa II	2.37%	256,178	10,937,190	–	–	11,193,368
PSALM Loan	12.00%	804,895	1,609,790	1,609,789	–	4,024,474
<b>March 31, 2009</b>						
<b>Floating Rate</b>						
<b>Long-term debt:</b>						
IBRD	7.39%	1,365,271	2,399,109	–	–	3,764,380
IFC	7.40%	236,821	615,228	1,260,917	4,763,145	6,876,111
<b>Short-term debt:</b>						
LBP	6.75%	101,250	–	–	–	101,250

## Liquidity Risk

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

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

The tables below show the maturity profile of the Company's financial assets used for liquidity purposes based on contractual undiscounted cashflows as of March 31, 2010 and 2009 and December 31, 2009.

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 Thousands)</i>							
AFS Investments:							
Debt investments	P729,692	P-	P-	P-	P-	P-	P729,692
Loans and receivables:							
Cash equivalents	-	12,108,601	162,500	-	-	-	12,271,101
<b>Total</b>	<b>P729,692</b>	<b>P12,108,601</b>	<b>P162,500</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P13,000,793</b>

December 31, 2009 (Audited)							
	On demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousands)</i>							
AFS Investments:							
Debt investments	P674,494	P-	P-	P-	P-	P-	P674,494
Loans and receivables:							
Cash equivalents	-	929,213	-	-	-	-	929,213
<b>Total</b>	<b>P674,494</b>	<b>P929,213</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P1,603,707</b>

March 31, 2009 (Unaudited)							
	On demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousands)</i>							
AFS Investments:							
Debt investments	P746,516	P-	P-	P-	P-	P-	P746,516
Loans and receivables:							
Cash equivalents	-	7,075,762	-	-	-	-	7,075,762
<b>Total</b>	<b>P746,516</b>	<b>P7,075,762</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P7,822,278</b>

The tables below summarize the maturity analysis of the Company's financial liabilities as of March 31, 2010 and 2009 and December 31, 2009 based on contractual undiscounted payments:

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>							
Liabilities at amortized cost:							
Accounts payable - trade	P-	P4,994,023	P-	P-	P-	P-	P4,994,023
Accrued interest and guarantee fees	99,009	894,085	199,397	-	-	-	1,192,491
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
Financial liability at FVPL:							
Derivative liabilities	-	8,625	-	-	-	-	8,625
<b>Total</b>	<b>P441,523</b>	<b>P20,340,879</b>	<b>P1,013,674</b>	<b>P2,965,384</b>	<b>P30,576,763</b>	<b>P11,185,944</b>	<b>P66,524,167</b>

December 31, 2009 (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 Thousands)</i>							
Liabilities at amortized cost:							
Accounts payable - trade	P-	P2,202,141	P-	P-	P-	P-	P2,202,141
Accrued interest and guarantee fees	252,201	462,241	208,706	-	-	-	923,148
Other current liabilities	-	10,508	-	-	-	-	10,508
Due to related parties	537,020	-	-	-	-	-	537,020
Royalty fee payable	-	87,500	87,500	175,000	693,011	-	1,043,011
Long-term debt	-	1,224,743	13,059,012	5,697,286	30,299,838	12,004,016	62,284,895
<b>Total</b>	<b>P789,221</b>	<b>P3,987,133</b>	<b>P13,355,218</b>	<b>P5,872,286</b>	<b>P30,992,849</b>	<b>P12,004,016</b>	<b>P67,000,723</b>

March 31, 2009 (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>							
Liabilities at amortized cost:							
Accounts payable - trade	P-	P1,870,250	P-	P-	P-	P-	P1,870,250
Accrued interest and guarantee fees	-	522,118	-	-	-	-	522,118
Accrued premium on range bonus forwards	-	247,567	-	-	-	-	247,567
Other current liabilities	-	7,402	-	-	-	-	7,402
Loan payable	-	-	-	2,000,000	-	-	2,000,000
Due to related parties	-	96,981	-	-	-	-	96,981
Royalty fee payable	-	1,548,363	-	-	-	-	1,548,363
Obligations to a power plant contractor	-	41,368	17,698	-	-	-	59,066
Long-term debt	-	7,373,058	498,146	1,925,505	22,663,627	8,181,748	40,642,084
Financial liability at FVPL:							
Derivative liabilities	-	47,051	-	-	-	-	47,051
<b>Total</b>	<b>P-</b>	<b>P11,754,158</b>	<b>P515,844</b>	<b>P3,925,505</b>	<b>P22,663,627</b>	<b>P8,181,748</b>	<b>P47,040,882</b>

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

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

	March 31, 2010 (Unaudited)	Level 1	Level 2	Level 3	At Cost
Financial assets at FVPL-					
derivative assets	<b>₱12,791,194</b>	<b>₱-</b>	<b>₱12,791,194</b>	<b>₱-</b>	<b>₱-</b>
AFS investments:					
Debt investments	<b>729,691,852</b>	<b>729,691,852</b>	-	-	-
Equity investments	<b>16,745,929</b>	<b>16,671,379</b>	-	-	<b>74,550</b>
<hr/>					
	December 31, 2009 (Audited)	Level 1	Level 2	Level 3	At Cost
Financial assets at FVPL-					
derivative assets	<b>₱9,611,022</b>	<b>₱-</b>	<b>₱9,611,022</b>	<b>₱-</b>	<b>₱-</b>
AFS investments:					
Debt investments	734,811,000	734,811,000	-	-	-
Equity investments	15,388,428	15,295,010	-	-	93,418
<hr/>					
	March 31, 2009 (Unaudited)	Level 1	Level 2	Level 3	At Cost
Financial assets at FVPL-					
derivative assets	<b>₱415,803,001</b>	<b>₱-</b>	<b>₱415,803,001</b>	<b>₱-</b>	<b>₱-</b>
AFS investments:					
Debt investments	746,515,813	746,515,813	-	-	-
Equity investments	14,113,216	14,113,216	-	-	-

During the three month period ended March 31, 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.

#### Financial Assets and Financial Liabilities

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

	March 31, 2010 (Unaudited)		March 31, 2009 (Unaudited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	<b>₱13,739,137,556</b>	<b>₱13,739,137,556</b>	₱7,579,451,865	₱7,579,451,865
Trade receivables	<b>5,807,628,080</b>	<b>5,807,628,080</b>	5,013,734,144	5,013,734,144
Non-trade receivables	<b>89,905,988</b>	<b>89,905,988</b>	161,071,058	161,071,058
Loans and notes receivables	<b>67,599,099</b>	<b>67,599,099</b>	62,968,734	62,968,734
Employee receivables	<b>12,413,784</b>	<b>12,413,784</b>	11,978,551	11,978,551
Advances to employees	<b>27,522,333</b>	<b>27,522,333</b>	22,597,061	22,597,061
Long-term receivables	-	-	317,211,950	302,928,507
Concession receivable	-	-	34,159,632,190	33,784,564,612
Cash collateral on PCIR Bonds	-	-	3,519,226	3,519,226
Royalty fee chargeable to NPC	<b>1,529,568</b>	<b>1,529,568</b>	64,054,245	64,054,245
Due from related parties	<b>4,937,942,304</b>	<b>4,937,942,304</b>		
AFS investments:				
Debt investments	<b>₱729,691,852</b>	<b>₱729,691,852</b>	746,515,813	746,515,813
Equity investments	<b>16,745,929</b>	<b>16,745,929</b>	14,113,216	14,113,216
Financial assets at FVPL -				
Derivative assets	<b>11,936,960</b>	<b>11,936,960</b>	415,803,001	415,803,001

	March 31, 2010 (Unaudited)		March 31, 2009 (Unaudited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	<b>P25,442,053,453</b>	<b>P25,442,053,453</b>	<b>P48,572,651,054</b>	<b>P48,183,300,033</b>
<b>Financial Liabilities</b>				
Financial liabilities at amortized cost:				
Accounts payable - trade	<b>P4,994,022,590</b>	<b>P4,994,022,590</b>	₱1,870,249,989	₱1,870,249,989
Accrued interest and guarantee fees	<b>1,192,490,491</b>	<b>1,192,490,491</b>	522,118,433	522,118,433
Accrued premium on derivatives	–	–	247,567,485	247,567,485
Other current liabilities	<b>8,979,079</b>	<b>8,979,079</b>	7,401,566	7,401,566
Loan payable	–	–	2,000,000,000	2,000,000,000
Due to related parties	<b>342,513,806</b>	<b>342,513,806</b>	96,980,507	96,980,507
Royalty fee payable	<b>755,745,137</b>	<b>771,087,303</b>	1,548,362,528	1,548,362,528
Obligations to a power plant contractor	–	–	54,261,525	54,261,525
Long-term debt	<b>46,316,993,548</b>	<b>51,227,369,004</b>	34,724,849,253	32,853,944,430
Financial liabilities at FVPL -				
Derivative liabilities	<b>8,624,881</b>	<b>8,624,881</b>	47,050,740	47,050,740
	<b>P53,619,369,532</b>	<b>P58,545,087,154</b>	<b>P41,118,842,026</b>	<b>P39,247,937,203</b>
			December 31, 2009 (Audited)	
			Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents			₱11,220,897,157	₱ 11,220,897,157
Trade receivables - net			5,306,417,083	5,306,417,083
Non-trade receivables			77,268,776	77,268,776
Loans and notes receivables			₱67,573,603	₱67,573,603
Employee receivables			14,998,506	14,998,506
Advances to employees			20,826,816	20,826,816
AFS investments:				
Debt investments			734,811,000	734,811,000
Equity investments			15,388,428	15,388,428
Financial assets at FVPL:				
Derivative assets			9,611,022	9,611,022
			<b>₱17,467,792,391</b>	<b>₱17,467,792,391</b>
<b>Financial Liabilities</b>				
Financial liabilities at amortized cost:				
Accounts payable - trade			<b>₱2,202,140,914</b>	₱2,202,140,914
Accrued interest and guarantee fees			<b>923,147,531</b>	923,147,531
Accrued premium on range bonus forwards			–	–
Other current liabilities			<b>10,507,987</b>	10,507,987
Loan payable			–	–
Due to related parties			<b>537,020,209</b>	537,020,209
Royalty fee payable			<b>811,004,709</b>	836,317,273
Obligations to a power plant contractor			–	–
Long-term debt			<b>47,464,498,391</b>	52,538,678,773
Financial liabilities at FVPL -				
Derivative liabilities			–	–
			<b>₱51,948,319,741</b>	<b>₱57,047,812,687</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, Cash Collateral on PCIR Bonds, Royalty Fee Chargeable to NPC, Due to Related Parties, Trade and Other Payables and Loan Payable.* These are instruments with relatively short maturity ranging 1 to 3 months. Carrying amounts approximate fair values.

*Long-term Receivables.* The fair value of long-term receivables was computed by discounting the expected cash flow using the applicable rate of 4.28% in March 31, 2009 (nil in March 31, 2010 and December 31, 2009).

*Concession Receivable.* The fair value of concession receivables is computed by discounting the expected free cash flows using the applicable rates as of consolidated statement of financial position dates ranging from 4.27% to 10.35% in March 31, 2009 (nil in March 31, 2010 and December 31, 2009).

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

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

*Long-term Debt and Royalty Fee Payable.* The fair values for the Parent Company's long-term debt are estimated using the discounted cash flow methodology with the applicable rates ranging from 0.16% to 6.89%, 0.19% to 5.93% and 0.39% to 1.78% in March 31, 2010, December 31, 2009 and March 31, 2009, respectively. While for FG Hydro, the fair value of deferred payment facility with PSALM was computed by discounting the facility's expected future cash flows using the prevailing credit adjusted Philippine Government Zero Coupon Yield interest rates ranging from 4.33% to 5.39%, from 4.19% to 6.17% and from 4.26% to 4.67% in March 31, 2010, December 31, 2009 and March 31, 2009, respectively.

Fair values of royalty fee payable are determined using discount rates ranging from 4.22% to 4.97%, from 4.54% to 5.64% and from 4.40% to 5.49% as of the March 31, 2010, December 31, 2009 and March 31, 2010, respectively.

*Obligations to a Power Plant Contractor.* Fair value of obligation to power plant contractor approximates the carrying value in March 31, 2009 (nil in March 31, 2010 and December 31, 2009).

The Company classifies its financial instruments in the following categories.

March 31, 2010 (Unaudited)

	Loans and Receivables	AFS Investments	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousands)</i>						
<b>Financial Assets</b>						
Cash and cash equivalents	₱13,739,138	₱-	₱-	₱-	₱-	₱13,739,138
Trade receivables	6,005,069	-	-	-	-	6,005,069
Non-trade receivables	89,906	-	-	-	-	89,906
Loans and notes receivables	67,599	-	-	-	-	67,599
Employee receivables	12,414	-	-	-	-	12,414
Advances to employees	27,476	-	-	-	-	27,476
Long-term receivables	-	-	-	-	-	-
Concession receivable	-	-	-	-	-	-
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	-	-	-	1,192,490	-	1,192,490
Other current liabilities	-	-	-	8,979	-	8,979
Loan payable	-	-	-	-	-	-
Due to related parties	-	-	-	342,514	-	342,514
Royalty fee payable	-	-	-	755,745	-	751,874
Long-term debt	-	-	-	46,316,994	-	46,316,994
Derivative liabilities	-	-	-	-	8,625	8,625
<b>Total</b>	<b>₱19,945,011</b>	<b>₱746,438</b>	<b>₱12,791</b>	<b>₱53,610,745</b>	<b>₱8,625</b>	<b>₱74,319,739</b>

December 31, 2009 (Audited)

	Loans and Receivables	AFS	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousands)</i>						
<b>Financial Assets</b>						
Cash and cash equivalents	₱11,220,897	₱-	₱-	₱-	₱-	₱11,220,897
Trade receivables	5,306,417	-	-	-	-	5,306,417
Non-trade receivables	77,269	-	-	-	-	77,269
Loans and notes receivables	67,574	-	-	-	-	67,574
Employee receivables	14,999	-	-	-	-	14,999
Advances to employees	20,827	-	-	-	-	20,827
AFS - debt investments	-	734,811	-	-	-	734,811
AFS - equity investments	-	15,388	-	-	-	15,388
Derivative Assets	-	-	9,611	-	-	9,611
<b>Financial Liabilities</b>						
Accounts payable - trade	-	-	-	2,202,141	-	2,202,141
Accrued interest and guarantee fees	-	-	-	923,148	-	923,148
Miscellaneous current liabilities	-	-	-	10,508	-	10,508
Due to related parties	-	-	-	537,020	-	537,020
Royalty fee payable	-	-	-	811,005	-	811,005
Obligations to a power plant contractor	-	-	-	-	-	-
Long-term debt	-	-	-	47,464,498	-	47,464,498
<b>Total</b>	<b>₱16,707,983</b>	<b>₱750,199</b>	<b>₱9,611</b>	<b>₱51,948,320</b>	<b>₱-</b>	<b>₱69,416,113</b>

March 31, 2009 (Unaudited)						
	Loans and Receivables	AFS	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousands)</i>						
<b>Financial Assets</b>						
Cash and cash equivalents	₱7,579,452	₱-	₱-	₱-	₱-	₱7,579,452
Trade receivables	5,013,734	-	-	-	-	5,013,734
Non-trade receivables	161,071	-	-	-	-	161,071
Loans and notes receivables	62,969	-	-	-	-	62,969
Employee receivables	11,979	-	-	-	-	11,979
Advances to employees	22,597	-	-	-	-	22,597
Long-term receivables	317,212	-	-	-	-	317,212
Concession receivable	34,159,632	-	-	-	-	34,159,632
Cash collateral on PCIR Bonds	3,519	-	-	-	-	3,519
Royalty fee chargeable to NPC	64,054	-	-	-	-	64,054
AFS - debt investments	-	746,516	-	-	-	746,516
AFS - equity investments	-	14,113	-	-	-	14,113
Derivative Assets	-	-	415,803	-	-	415,803
<b>Financial Liabilities</b>						
Accounts payable - trade	-	-	-	₱1,870,250	-	1,870,250
Accrued interest and guarantee fees	-	-	-	522,117	-	522,117
Accrued premium on range bonus forwards	-	-	-	247,567	-	247,567
Other current liabilities	-	-	-	7,402	-	7,402
Loan payable	-	-	-	2,000,000	-	2,000,000
Due to related parties	-	-	-	96,981	-	96,981
Royalty fee payable	-	-	-	1,548,363	-	1,548,363
Obligations to a power plant contractor	-	-	-	54,262	-	54,262
Long-term debt	-	-	-	34,724,849	-	34,724,849
Derivative liabilities	-	-	-	-	47,051	47,051
<b>Total</b>	<b>₱47,396,219</b>	<b>₱760,629</b>	<b>₱415,803</b>	<b>₱41,071,791</b>	<b>₱47,051</b>	<b>₱89,691,493</b>

The table below demonstrates the income, expense, gains or losses of the Company's financial instruments for the nine-month period ended March 31, 2010 and 2009.

	2010		2009	
	Increase (Decrease) Effect on Profit or Loss	Increase (Decrease) Effect on Equity	Increase (Decrease) Effect on Profit or Loss	Increase (Decrease) Effect on Equity
<b>Loans and receivables:</b>				
Interest income on cash in bank	<b>₱478,570</b>	<b>₱-</b>	₱355,088	₱-
Interest income on cash equivalents	<b>128,512,438</b>	-	86,531,908	-
Interest income on trade receivables	<b>6,007,914</b>	-	23,353,754	-
Interest income on concession receivables	-	-	508,002,717	-
Interest on employees receivable	<b>38,147</b>	-	-	-
Interest Income due from related party	<b>17,516</b>	-	-	-
Equity investments - Net gain (loss) recognized in equity	-	<b>1,357,501</b>	-	3,844,611
Debt investments: Net gain (loss) recognized in equity	-	<b>8,248,682</b>	-	60,775,595
Interest Income on ROP Bonds	<b>262,707</b>	-	-	-
<b>Financial assets at FVPL:</b>				
Fair value changes and premium on forward contracts	<b>3,312,079</b>	-	(279,887,446)	-
Unrealized gain (loss) on fair value changes on currency options	<b>(8,750,155)</b>	-	(19,040,630)	-

	2010		2009	
	Increase (Decrease) Effect on Profit or Loss	Increase (Decrease) Effect on Equity	Increase (Decrease) Effect on Profit or Loss	Increase (Decrease) Effect on Equity
Financial liabilities at amortized cost:				
Interest expense on long-term loans	(847,280,891)	–	(554,805,406)	–
Interest expense on short-term loans	–	–	(2,756,250)	–
Interest expense on royalty payable	–	–	–	–
“Day 1” gain on royalty payable	(14,782,182)	–	–	–
	<b>(P717,401,675)</b>	<b>(P9,606,183)</b>	<b>(P173,626,059)</b>	<b>(P64,260,206)</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 obligations to a power plant contractor and long-term debt. Equity includes capital stock attributable to common and preferred shares, unrealized gains reserve and retained earnings.

The Table below shows the Company’s debt ratio as at March 31, 2010 and 2009 and December 31, 2009.

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
Long-term liabilities	<b>P46,316,993,548</b>	P47,464,498,391	P36,119,319,246
Equity	<b>32,633,297,289</b>	30,331,861,805	31,067,634,601
Debt ratio	<b>58.7%</b>	61.0%	53.8%

### 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, 2010 and 2009 and December 31, 2009.

	March 31, 2010 (Unaudited)		December 31, 2009 (Audited)	March 31, 2009 (Unaudited)	
	Derivative Assets	Derivative Liabilities	Derivative Asset	Derivative Assets	Derivative Liabilities
Embedded derivatives -					
Currency options	<b>P854,234</b>	<b>P–</b>	P9,611,022	P16,356,811	<b>P–</b>
Free standing derivatives					
Range bonus forwards	–	–	–	399,446,190	–
Currency forwards	<b>11,936,960</b>	<b>8,624,881</b>	–	–	47,050,740
Total derivatives	<b>P12,791,194</b>	<b>P8,624,881</b>	P9,611,022	P415,803,001	P47,050,740
Presented as:					
Current	<b>P11,936,960</b>	<b>P8,624,881</b>	<b>P–</b>	P399,446,190	P47,050,740
Noncurrent	<b>854,234</b>	<b>P–</b>	P9,611,022	16,356,811	–

	<b>March 31, 2010 (Unaudited)</b>		December 31, 2009 (Audited)	March 31, 2009 (Unaudited)	
	<b>Derivative Assets</b>	<b>Derivative Liabilities</b>	Derivative Asset	Derivative Assets	Derivative Liabilities
Total derivatives	<b>₱12,791,194</b>	<b>₱8,624,881</b>	₱54,250,018	₱45,834,583	₱-

*Freestanding Derivatives.* The Company enters into derivative transactions to hedge the foreign currency exposure arising from its foreign currency denominated loan contracts, particularly the maturing Miyazawa 1 loan. The Company had positions in the following types of freestanding derivatives to protect itself against foreign currency risk arising from the changes on the exchange rate of the peso in relation to the foreign currency. As of March 31, 2010, the Company has no outstanding derivatives due to the termination of its related contracts with counterparty banks last May 28, 2009.

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

As of March 31, 2010, the Company has a total of 5 foreign currency forward contracts with various counterparty banks, which have been instituted only during the year and all will mature on June 24, 2010. The Company's deliverable buy yen and sell dollar forward exchange contracts have an aggregate notional amount of ¥10,500 million. The weighted average forward rate of these forward exchange contracts is ¥92.83. The net mark to market loss recognized in 2010 relative to the forward contracts is ₱3.31 million.

*Range Bonus Forward Contract.* A Range Bonus forward contract is an agreement that provides protection against unfavorable exchange rate movement by setting an agreed rate at which an entity can exchange one currency for another. At the same time, it provides that for each day during the fixing period that the spot rate is outside the predetermined range, the Company will accrue a premium based on a specified formula, which is payable at maturity. As of March 31, 2010, the company has no outstanding range bonus forward contract.

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

*Currency Options.* The Company has embedded currency options in its Pantabangan Refurbishment and Upgrade Project Contract with VA TECH HYDRO, GmbH Contractor. Under the PRUP Contract, the Company has the option to pay the Contractor in European Euro (Euro) or in U.S. Dollar at a strike rate of €1.4691 to \$1.00 for the original contract and €1.5549 to \$1.00 for the contract options availed during the year. As of March 31, 2010, the embedded currency options have a notional amount of €6.0 million. The embedded currency options will mature on various dates until December 2010 or upon full payment and completion of the related host contract.

#### Fair Value Changes of Derivatives

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

*Freestanding Derivatives*

	<b>March 31, 2010 (Unaudited)</b>		December 31, 2009 (Audited)		March 31, 2009 (Unaudited)	
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability
<b>Range Bonus Forward</b>						
Balance at beginning of year	P-	P-	P614,081,623	P-	P614,081,623	P-
Net changes in fair value			(78,318,622)	-	(232,103,672)	-
Settlement	-	-	(535,763,001)	-	-	-
Balance at end of period	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P381,977,951</b>	<b>P-</b>
<b>Currency Forwards</b>						
Balance at beginning of year	P-	P-	P-	P(54,250,018)	P-	P(54,250,018)
Net changes in fair value	<b>11,936,960</b>	<b>(8,624,881)</b>	68,344,713	78,909,982	17,468,239	7,199,278
Settlement	-	-	(68,344,713)	133,160,000	-	-
Balance at end of period	<b>P11,936,960</b>	<b>P(8,624,881)</b>	<b>P-</b>	<b>P-</b>	<b>P17,468,239</b>	<b>P47,050,740</b>
<b>Total</b>	<b>P11,936,960</b>	<b>P(8,624,881)</b>	<b>P-</b>	<b>P-</b>	<b>P399,446,190</b>	<b>P47,050,740</b>

*Embedded Derivatives*

	<b>March 31, 2010 (Unaudited)</b>	December 31, 2009 (Audited)	March 31, 2009 (Unaudited)
<b>Derivative Assets</b>			
Balance at beginning of year	<b>P9,611,022</b>	P34,907,195	P34,907,195
Net changes in fair value of derivatives	<b>(8,750,155)</b>	(23,161,134)	(19,040,630)
Fair value of settled derivatives	-	(1,800,163)	-
Foreign exchange difference	<b>(6,633)</b>	(334,876)	490,246
Balance at end of year	<b>P854,234</b>	P9,611,022	P16,356,811

The net changes in fair value of the Company's derivative during the periods ending March 31, 2010 and 2009 amounting to P5.4 million loss and P298.9 million loss respectively, were taken into "Derivatives gain (loss)" account in the consolidated statements of income, inclusive of premium on range bonus forwards recognized during the periods ending March 31, 2009 of P72.5 million (nil in 2010).

## Annex II

**Energy Development (EDC) Corporation and Subsidiaries**  
**As of March 31, 2010**  
**(With comparative figures for March 31, 2009)**  
**In Million Pesos**

**Aging of Accounts Receivable**

Trade Receivables	Amount
Current	5,774.0
More than 90 days past due	.1
More than 120 days past due	43.1
Subtotal	5,817.2
Other Receivables	197.6
Total Receivables	6,014.8
Allowance for Doubtful Accounts	(9.6)
<b>Trade and Other Receivables – Net</b>	<b>6,005.2</b>

**Breakdown of Liabilities**

	2010	2009
<b>A. Current Liabilities</b>		
Loan Payable	225.9	2,000.0
Accounts Payable	5,147.8	2,219.7
Accrued Interest and Other Payables	1,622.5	884.4
Income Tax Payable	273.3	597.0
Derivative Liability	8.6	47.0
Due to Related Parties	342.5	97.0
<b>Total</b>	<b>7,620.6</b>	<b>5,845.1</b>
<b>B. Noncurrent Liabilities</b>		
Royalty Fee Payable		
Current	264.5	1,548.4
Noncurrent	491.2	-
Obligations to a Power Plant Contractor		
Current	-	54.3
Noncurrent	-	-
Long-term Debt		
Current	16,448.3	8,347.9
Noncurrent	29,642.9	26,377.0
Retirement Benefit Obligation and Other Noncurrent Liabilities	1,644.1	1,340.1
<b>Total Liabilities</b>	<b>56,111.6</b>	<b>43,512.8</b>

*Certified true and Correct*

  
**REGINA PIA B. GO**  
 Chief Financial Officer/Treasurer

  
**AGNES C. DE JESUS**  
 Senior Vice President & Compliance officer