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November 15, 2010

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

Dear Ms. Encarnacion:

In compliance with the PSE disclosure requirement, we submit the attached Energy Development Corporation (Consolidated) Quarterly Report for the period ended September 30, 2010 (SEC Form 17-Q).

Very truly yours,

A handwritten signature in black ink, appearing to read "Erudito S. Recio". The signature is written in a cursive style with some loops and flourishes.

Erudito S. Recio
Investor Relations Manager &
Company Information Officer

SEC Number 66381
File Number _____

ENERGY DEVELOPMENT CORPORATION
(Company's full Name)

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

(632) 6677-332
(Telephone Number)

September 30, 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 **September 30, 2010**
2. Commission identification number: **66381**
3. BIR Tax Identification No. **000-169-125-000**
4. Exact name of issuer as specified in its charter: **ENERGY DEVELOPMENT CORPORATION**
5. 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:
Energy Development (EDC) Corporation
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<u>Title of each Class</u>	<u>Number of shares outstanding as of September 30, 2010</u>
Common Stock, P1.00 par value	18,750,000,000
Preferred Stock, P0.01 par value	9,375,000,000

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

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

Philippine Stock Exchange **Common Stock**

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

PART 1 FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Our unaudited consolidated financial statements for the quarter ended September 30, 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 consolidated financial performance for the quarter ended September 30, 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 power industry in the Philippines where we operate up to the stated reporting period. However, our MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general economic, political and environment condition after the stated reporting date.

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

Any references in this MD&A to “we”, “us”, “our”, “Company” means the Energy Development Corporation and its subsidiaries.

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

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

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OVERVIEW OF OUR BUSINESS

Principal Products or Services

As of September 30, 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 Agreements (SSAs) 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.

On November 17, 2008, EDC acquired 60% equity stake in First Gen Hydro Power Corporation (FG Hydro). FG Hydro's 110 MW Pantabangan and 12 MW Masiway Hydroelectric Power Plants (PMHEPP), located in Pantabangan, Nueva Ecija Province, Central Luzon, inject electricity into the Luzon grid to service the consumption of its customers which include the Wholesale Electricity Spot Market (WESM) and distribution utilities clients covered by Transition Supply Contract (TSC).

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

The Company has included into its strategic plans the Company's participation in PSALM's auction of the NPC-owned geothermal power generation facilities. On September 2, 2009, GCGI Geothermal Inc. (GCGI), the Company's wholly-owned subsidiary through First Luzon Geothermal Energy Corporation (FL Geothermal), participated and won in PSALM's auction for the 192.5 MW Palinpinon and 112.5 MW Tongonan I geothermal power plants for USD 220.0 million. On October 23, 2009, GCGI successfully completed all conditions precedent required for the PSALM's turnover of the Palinpinon and Tongonan I geothermal power plants. On May 5, 2010, Bac-man Geothermal Inc. (BGI), the Company's wholly-owned subsidiary through First Luzon Geothermal Energy Corporation (FL Geothermal), submitted the winning bid for the PSALM's auction of the 150 MW Bacon-Manito Geothermal Power Plants located in the towns of Bacon, Sorsogon Province and Manito, Albay Province. Correspondingly, BGI remitted to PSALM on September 3, 2010 the full payment. The Bacon-Manito Geothermal Power Plants are currently under rehabilitation to restore capacity and reliability. With this, the Company now operates a total of 13 geothermal power plants with an aggregate capacity of 1,198.8 MW.

Percentage of sales or revenues contributed by foreign sales

The Company generated ₱585.1 million revenues from the contract it entered into with LGL in Papua, New Guinea. This represents 3.0% of the Company's gross revenues for the first three quarters of 2010. The contract term with LGL was extended until December 31, 2010 with an option to extend for another period of 12 months.

Distribution method of products and services

The Company's total generation of 5,886.3 GWh comprised of 3,548.3 GWh coming from electricity production in Leyte, No. Negros and Mindanao areas; 665.5 GWh pertaining to steam operations in Sorsogon; 1,372.6 GWh electricity production of GCGI's Palinpinon and Tongonan I Geothermal Power Plants (PTGPP); and 299.9 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 70% of the 5,886.3 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 299.9 GWh, was sold to the WESM and to its distribution utility clients in the province of Nueva Ecija while the 1,465.3 GWh electricity production of GCGI'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 299.9 GWh of electricity generated by FG Hydro, 106.7 GWh or 35.6 % was sold to the Wholesale Electricity Spot Market (WESM) while the 193.2 GWh or 64.4% 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 70% 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 government share payments

The five geothermal renewable energy service contract (GRESK) areas where the Company's geothermal operations are the following:

1. Tongonan Geothermal Project,
Under DOE Certificate of Registration No. GRESK 2009-10-001 (expiring in 2031)
2. Southern Negros Geothermal Project,
Under DOE Certificate of Registration No. GRESK 2009-10-002 (expiring in 2031)
3. Bacon-Manito Geothermal Project,
Under DOE Certificate of Registration No. GRESK 2009-10-003 (expiring in 2031)
4. Mt. Apo Geothermal Project,
Under DOE Certificate of Registration No. GRESK 2009-10-004 (expiring in 2042)
5. Northern Negros Geothermal Project,
Under DOE Certificate of Registration No. GRESK 2009-10-005 (expiring in 2044)

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

Geothermal Resource

1. Mt. Labo Geothermal Project
Under DOE Certificate of Registration No. GRESK 2010-02-020 (expiring in 2035)
2. Mainit Geothermal Project
Under DOE Certificate of Registration No. GRESK 2010-03-021 (expiring in 2035)

Wind Resource

1. Pagudpud Wind Project,
Under DOE Certificate of Registration No. WESC 2010-02-040 (expiring in 2035)
2. Camiguin Wind Project,
Under DOE Certificate of Registration No. WESC 2010-02-041 (expiring in 2035)
3. Taytay Wind Project,
Under DOE Certificate of Registration No. WESC 2010-02-042 (expiring in 2035)
4. Dinagat Wind Project,
Under DOE Certificate of Registration No. WESC 2010-02-043 (expiring in 2035)
5. Siargao Wind Project,
Under DOE Certificate of Registration No. WESC 2010-02-044 (expiring in 2035)

KEY PERFORMANCE INDICATORS

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

Ratio	Sept 30, 2010	Sept 30, 2009
Current Ratio	2.50 : 1	1.04 : 1
Debt-to-Equity Ratio	1.17 : 1	1.39 : 1
Net Debt-to-Equity Ratio	0.97 : 1	0.98 : 1
Return on Assets (%)	9.0	2.0
Return on Equity (%)	23.0	5.0

Current Ratio – Total current assets divided by total current liabilities

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

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

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

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

This ratio measures the company's financial leverage and stability. A negative net debt-to-equity ratio means that the total of cash and cash equivalents exceeds interest-bearing liabilities.

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

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

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

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

OPERATING REVENUES AND EXPENSES

FINANCIAL HIGHLIGHTS

- The recurring net income generated in the first three quarters of 2010 increased by 26.8% or ₱1,363.1 million to ₱6,439.9 million from the ₱5,076.8 million posted during the same period in 2009. This was mainly due to the increase in revenues from GCGI and FG Hydro's electricity sales (₱3,335.0 million).

These were partly offset by the following:

- Increase in financing charges (₱937.1 million)
 - Higher operating expenses mainly attributed to the depreciation of assets recognized after the scope-out of IFRIC 12 (₱683.1 million); and
 - Lower other income (₱399.4 million).
- Net income is equivalent to 39.3% of total revenues in 2010 as compared to the 8.6% in the same period in 2009.
 - Net income increased by 446% or ₱6,194.0 million to ₱7,582.9 million as of September 2010 from ₱1,388.9 million during the same period in 2009.

Factors contributing to these were the following:

- Increased revenues mainly from GCGI and FG Hydro's electricity sales (₱3,335.0 million);
- lower income tax due mainly to write down of deferred tax asset in 2009 (₱2,243.9 million);
- higher other income mainly due to the recovery of impairment provision on Input VAT claims (₱1,669.7 million); and
- derivative gain in 2010 versus loss in 2009 (₱622.5 million).

These were cushioned by the following:

- Increase in financial expenses-net (₱860.0 million);
- Higher operating expenses mainly attributed to the depreciation of assets recognized after the scope-out of IFRIC 12 (₱724.6 million); and
- Lower foreign exchange gains (₱92.5 million).

Major drivers for the nine-month period in 2010 were the following:

- Nine-month operating income of GCGI's power plants integrating EDC's steam fields operations in Palinpinon and Tongonan 1 (₱1,894.9 million);
- Net recovery of impairment provision on Input VAT claims (₱1,112.8); and
- First Gen Hydro's increase in net income (₱850.8 million).

For the period, NNGP ended with a net loss of the ₱886.3 million. The Company had already engaged two third-party experts to perform a parallel independent assessment of the Northern Negros' steam resource development plan, long-term viability and sustainability. The studies are expected to be finalized in the 4th quarter of 2010.

- Cash and cash equivalents decreased by 36.9% or ₱4,138.5 million to ₱7,082.4 million as of September 30, 2010 from the ₱11,220.9 million December 31, 2009 balance. The decrease was mainly accounted for by the ₱8,495.6 million net cash outflows used in financing activities, driven primarily by the settlements of the Miyazawa II, PNOC on-lent loans, PSALM's staple financing on FGHP's acquisition of PAHEP-MAHEP and regular debt servicing (₱18,993.0 million) and cash dividends (₱2,496.3 million), partly offset by the proceeds of the US\$175M syndicated loan facility (₱8,058.8 million) for Parent Company and FG Hydro's loan from local banks (₱5,000.0 million) secured in June 2010. This was coupled with ₱4,760.0 million cash used in investing activities, mainly for the acquisition and rehabilitation of newly acquired power plants and drilling of new wells. Partly offsetting these cash outflows was the ₱9,128.1 million internal cash generation for the first nine months of 2010.

RESULTS OF OPERATIONS

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

INCOME STATEMENT

Analysis of Material Changes as of September 30, 2010 and 2009

HORIZONTAL ANALYSIS VERTICAL ANALYSIS

Favorable (Unfavorable) Variance

(Amounts in PHP millions)	Sep. 2010	Sep. 2009	Amount	%	Sep. 2010	Sep. 2009
Sale of electricity	17,526.5	10,232.5	7,294.0	71.3%	90.7%	64.0%
Sale of steam	1,210.1	3,127.6	(1,917.5)	-61.3%	6.3%	19.6%
Interest income on service concession	-	1,490.4	(1,490.4)	-100.0%	0.0%	9.3%
Drilling services	585.1	614.4	(29.3)	-4.8%	3.0%	3.8%
Construction revenue	-	521.8	(521.8)	-100.0%	0.0%	3.3%
TOTAL REVENUES	19,321.7	15,986.7	3,335.0	20.9%	100.0%	100.0%
Operations and maintenance	(3,534.1)	(4,465.3)	931.2	-20.9%	-18.3%	-27.9%
Purchased services and utilities	(1,316.2)	(1,375.4)	59.2	-4.3%	-6.8%	-8.6%
General and administrative	(2,798.3)	(2,603.6)	(194.7)	7.5%	-14.5%	-16.3%
Construction costs	-	(449.8)	449.8	-100.0%	0.0%	-2.8%
Depreciation and amortization	(2,543.1)	(573.0)	(1,970.1)	343.8%	-13.0%	-3.6%
Total Operating Expenses	(10,191.7)	(9,467.1)	(724.6)	7.7%	-52.6%	-59.2%
Interest income	260.5	305.1	(44.6)	-14.6%	1.3%	1.9%
Interest expense	(2,879.0)	(2,063.6)	(815.4)	39.5%	-14.9%	-12.9%
Total Financial Income (Expenses)	(2,618.5)	(1,758.5)	(860.0)	48.9%	-13.6%	-11.0%
Foreign exchange gains (losses), net	104.6	197.1	(92.5)	-46.9%	0.5%	1.2%
Derivatives gain (loss), net	437.3	(185.2)	622.5	-336.1%	2.3%	-1.2%
Miscellaneous, net	1,641.5	(28.2)	1,669.7	-5920.9%	8.5%	-0.2%
Total Other Income (Expenses)	2,183.4	(16.3)	2,199.7	-13495.1%	11.3%	-0.2%
INCOME BEFORE INCOME TAX	8,694.9	4,744.8	3,950.1	83.3%	45.1%	29.6%
Provision for (benefit from) Income Tax						
Current	(406.5)	(1,066.3)	659.8	-61.9%	-2.1%	-6.7%
Deferred	(705.5)	(2,289.6)	1,584.1	-69.2%	-3.7%	-14.3%
	(1,112.0)	(3,355.9)	2,243.9	-66.9%	-5.8%	-21.0%
NET INCOME	7,582.9	1,388.9	6,194.0	446.0%	39.3%	8.6%
Net income attributable to:						
Equity holders of the Parent Company	7,126.5	1,272.8	5,853.7	459.9%	36.9%	8.0%
Minority Interests	456.4	116.1	340.3	293.1%	2.4%	0.7%
EBITDA	11,673.1	7,092.6	4,580.5	64.6%	60.4%	44.4%
Recurring Net Income	6,439.9	5,076.8	1,363.1	26.8%	33.3%	31.8%
Recurring net income attributable to:						
Equity holders of the Parent Company	5,961.4	4,971.3	990.1	19.9%	30.9%	31.1%
Minority Interests	478.5	105.5	373.0	353.6%	2.5%	0.7%

YTD September 30, 2010 vs. YTD September 30, 2009

Revenues

Revenues for the period ended September 30, 2010 increased by 20.9% or ₱3,335.0 million to ₱19,321.7 million from ₱15,986.7 million registered during the same period in 2009. Excluding the ₱1,014.2 million net impact of the scoping-out from IFRIC 12, revenues increased by ₱2,320.8 million mainly due to higher electricity sales.

Revenue from Sale of Electricity

Revenue from sale of electricity increased by 71.3% or ₱7,294.0 million to ₱17,526.5 million as of September 2010 from ₱10,232.5 million posted during the same period in 2009 on account of the following:

- Revenues generated by GCGI following acquisition of the Palinpinon 1 & 2 and Tongonan 1 geothermal power plants in September 2009 (₱5,060.0 million);
- Impact of the full recognition of revenue billings starting November 2009 due to the Company's scoping-out from IFRIC 12 (₱2,592.0 million); and
- FG Hydro's increased revenues due to the combined effect of higher average selling price and electricity volume (₱864.0 million);

These were partly offset by Unified Leyte's shortfall in power generations and lower average electricity price (₱1,222.0 million).

Revenue from Sale of Steam

Revenue from sale of steam was lower by 61.3% or ₱1,917.5 million to ₱1,210.1 million as of September 2010 from ₱3,127.6 million during the same period in 2009. The ₱1,917.5 million decrease was attributed mainly to the shift in revenue recognition from steam to electricity sales of the Palinpinon and Tongonan 1 power plants following the acquisition of the power plant assets by GCGI on October 24, 2009.

Interest Income on Service Concession/Construction Revenue

No interest income on concession receivable and construction revenue were reported in 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 7.7% or ₱724.6 million to ₱10,191.7 million as of September 2010 from ₱9,467.1 million level during the same period in 2009.

The increase was attributed to the Company's scoping-out from IFRIC 12 resulting in higher depreciation and amortization expenses (₱1,970.1 million) reduced by lower operations and maintenance (₱931.2 million), absence of construction costs (₱449.8 million) and lower purchased services and utilities (₱59.2 million). This was coupled by higher general and administrative expenses mainly attributed by GCGI's operation in 2010 (₱194.7 million).

Operations and Maintenance

Operations and maintenance expenses decreased by 20.9% or ₱931.2 million to ₱3,534.1 million in the first nine months of 2010 from ₱4,465.3 million during the same period in 2009 mainly on account of the capitalization in 2010 of major expenditures compared to 2009's expense recognition per IFRIC 12.

General and Administrative

General and administrative expenses increased by 7.5% or ₱194.7 million to ₱2,798.3 million in the first quarters of 2010 from ₱2,603.6 million during the same period in 2009 on account of GCGI's expenses (₱145.8 million) and increase in personnel costs mainly due to the implementation of early retirement program (₱99.9 million) offset by the absence in 2010 of expensed capex due to scoping-out from IFRIC 12 (₱51.5 million).

Depreciation and Amortization

The increase by 343.8% or ₱1,970.1 million to ₱2,543.1 million from ₱573.0 million in 2009 was mainly attributed to the re-classification to property, plant and equipment from concession receivable and intangible assets resulting from scoping out of IFRIC 12.

Construction Costs

No construction costs were recognized in 2010 primarily due to scoping out of IFRIC 12 starting October 23, 2009.

Financial Income (Expenses)

Financial expenses-net increased by 48.9% or ₱860.0 million to ₱2,618.5 million in 2010 from ₱1,758.5 million during the same period in 2009 due to the increase in outstanding borrowings and lower interest income.

Interest Income – net

Interest income (net of final tax) decreased by 14.6% or ₱44.6 million to ₱260.5 million as of September 2010 from ₱305.1 million during the same period in 2009. The unfavorable variance was mainly accounted for by lower average interest rates.

Interest Expense

Interest expense by increased by 39.5% or ₱815.4 million to ₱2,879.0 million as of September 2010 from ₱2,063.6 million during the same period in 2009. The unfavorable variance was mainly on account of the Parent Company's ₱12 billion Peso Public Bond and the US\$175 million syndicated term-loan and the FG Hydro's P5.0 billion peso loan.

Other Income (Charges)

Other income–net of ₱2,183.4 million as of September 2010 was a turn-around of the ₱16.3 million net other charges during the same period in 2009. The variance was primarily attributed to the recovery of impairment provision on Input VAT claims and the derivative gains in loans settlement in 2010 compared to the derivative loss in 2009.

Foreign Exchange Gain - net

The foreign exchange gains - net decreased by 46.9%, or ₱92.5 million, to ₱104.6 million as of September 2010 from the ₱197.1 million during the same period in 2009 accounted largely by the forex gain on realignment of the outstanding foreign loans partially offset by forex loss mainly on the settlement of Miyazawa 2.

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

	JPY:US\$	PHP:US\$
December 31, 2008	90.942	47.520
September 30, 2009	90.106	47.390
December 31, 2009	91.634	46.200
September 30, 2010	83.661	43.880

Derivatives Gain (Loss), net

The Derivative gain-net of ₱437.3 million posted as of September 2010 pertained mainly to the derivative gain realized on June 24, 2010 for the foreign currency hedging instruments contracted for Miyazawa II. In contrast, the 2009 derivative loss-net of ₱185.2 million resulted from the range-bonus forward contracts covering Miyazawa I.

Miscellaneous Income – net

Miscellaneous income - net of ₱1,641.5 million in 2010 was a reversal of ₱28.2 million net miscellaneous charges during the same period in 2009 mainly due to the recovery of impairment provision on Input VAT claims (₱1,638.9 million).

Provision for (Benefit from) Income Tax

Current tax expense decreased by 61.9% or ₱659.8 million to ₱406.5 million as of September 2010 from ₱1,066.3 million during the same period in 2009. The favorable variance was largely due to the absence in 2010 of income tax payment on deemed income on sale of FB properties (₱564.6 million) and the nine months full application of the 10% income tax rate in 2010 compared to the eight months application in 2009 (₱83.5 million).

Deferred tax expense decreased by 69.2% or ₱1,584.1 million to ₱705.5 million as of September 2010 from ₱2,289.6 million during the same period in 2009 mainly on account of the one-time write-down in 2009 of net deferred tax assets from the effect of the RE Act

implementation (₱2,720.8 million), reduced by the payment in 2009 of deferred tax liability on FB land and buildings and 3rd and 4th tranches arbitration income (₱620.7 million) and closed out of deferred tax asset provisions for accumulated foreign exchange loss on loan settlements in 2010 (₱510.6 million).

Net Income

Net income increased by 446% or ₱6,194.0 million to ₱7,582.9 million as of September 2010 from ₱1,388.9 million during the same period in 2009.

Factors contributing to these were the following:

- Increased revenues mainly from GCGI and FG Hydro's electricity sales (₱3,335.0 million);
- lower income tax due mainly to write down of deferred tax asset in 2009 (₱2,243.9 million);
- higher other income mainly due to the recovery of impairment provision on Input VAT claims (₱1,669.7 million); and
- derivative gain in 2010 versus loss in 2009 (₱622.5 million).

These were cushioned by the following:

- Increase in financial expenses-net (₱860.0 million);
- Higher operating expenses mainly attributed to the depreciation of assets recognized after the scope-out of IFRIC 12 (₱724.6 million); and
- Lower foreign exchange gains (₱92.5 million).

Net income is equivalent to 39.3% of total revenues in 2010 as compared to the 8.6% in the same period in 2009.

CAPITAL AND LIQUIDITY RESOURCES

As of the quarter ended (in millions of pesos)	Q3 2010	Q3 2009	YoY change
Balance Sheet Data			
Total Assets	82,730.5	73,158.8	13.1%
Total Liabilities.....	47,306.5	44,802.1	5.6%
Total Stockholders' Equity	35,424.0	28,356.7	24.9%

The Company's assets as of September 30, 2010 amounted to ₱82,730.5 million, 13.1% higher as compared to the ₱73,158.8 million level as of September 30, 2009.

FINANCIAL POSITION

Horizontal and Vertical Analysis of Material Changes as of September 30, 2010 and December 31, 2009.

BALANCE SHEET						
Horizontal of Material Changes as of September 30, 2010 and December 31, 2009						
(Amounts In PHP millions)	Sep. 2010	Dec. 2009 Audited	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Increase (Decrease)		2010	2009
			Amount	%		
ASSETS						
Current Assets						
Cash and cash equivalents	7,082.4	11,220.9	(4,138.5)	-36.9%	8.6%	13.2%
Trade and other receivables	3,541.0	5,487.2	(1,946.2)	-35.5%	4.3%	6.5%
Available-for-sale (AFS) investments	724.1	734.8	(10.7)	-1.5%	0.9%	0.9%
Parts and supplies inventories	2,326.2	1,946.9	379.3	19.5%	2.8%	2.3%
Other current assets	778.4	141.0	637.4	452.1%	0.9%	0.2%
Total Current Assets	14,452.1	19,530.8	(5,078.7)	-26.0%	17.5%	23.0%
Noncurrent Assets						
Property, plant and equipment	59,071.0	56,980.7	2,090.3	3.7%	71.4%	67.2%
Intangible assets	4,567.1	4,639.2	(72.1)	-1.6%	5.5%	5.5%
Deferred tax assets - net	486.8	1,209.6	(722.8)	-59.8%	0.6%	1.4%
Exploration and evaluation assets	1,136.9	1,038.1	98.8	9.5%	1.4%	1.2%
Derivative assets	0.2	9.6	(9.4)	-97.9%	0.0%	0.0%
Other noncurrent assets	3,016.4	1,355.6	1,660.8	122.5%	3.6%	1.6%
Total Noncurrent Assets	68,278.4	65,232.8	3,045.6	4.7%	82.5%	77.0%
TOTAL ASSETS	82,730.5	84,763.6	(2,033.1)	-2.4%	100.0%	100.0%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Trade and other payables	3,750.0	3,985.1	(235.1)	-5.9%	4.5%	4.7%
Income tax payable	184.9	66.4	118.5	178.5%	0.2%	0.1%
Due to related parties	35.2	537.0	(501.8)	-93.4%	0.0%	0.6%
Current portion of:						
Long-term debts	1,555.4	16,930.8	(15,375.4)	-90.8%	1.9%	20.0%
Royalty fee payable	247.3	244.3	3.0	1.2%	0.3%	0.3%
Total Current Liabilities	5,772.8	21,763.6	(15,990.8)	-73.5%	7.0%	25.7%
Noncurrent Liabilities						
Long-term debts - net of current portion	39,742.3	30,533.7	9,208.6	30.2%	48.0%	36.0%
Royalty fee payable - net of current portion	382.2	566.7	(184.5)	-32.6%	0.5%	0.7%
Deferred tax liabilities - net	-	17.3	(17.3)	-100.0%	0.0%	0.0%
Net retirement and other post-retirement benefits	1,155.8	1,237.1	(81.3)	-6.6%	1.4%	1.5%
Other long-term liabilities	253.4	324.6	(71.2)	-21.9%	0.4%	0.5%
Total Noncurrent Liabilities	41,533.7	32,679.4	8,854.3	27.1%	50.3%	38.7%
Total Liabilities	47,306.5	54,443.0	(7,136.5)	-13.1%	57.3%	64.3%
EQUITY						
Equity Attributable to Equity Holders of the Parent						
Preferred stock	93.7	93.7	-	0.0%	0.1%	0.1%
Common stock	18,750.0	18,750.0	-	0.0%	22.7%	22.1%
Common stock in employee trust account	(391.6)	(391.6)	-	0.0%	-0.5%	-0.5%
Additional paid-in capital	6,262.0	6,262.0	-	0.0%	7.6%	7.4%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-4.5%	-4.4%
Accumulated unrealized gain on AFS investments	134.8	113.2	21.6	19.1%	0.2%	0.1%
Retained earnings	12,535.3	7,669.9	4,865.4	63.4%	15.2%	9.0%
	33,677.8	28,790.8	4,887.0	17.0%	40.6%	33.9%
Minority Interest	1,746.2	1,529.8	216.4	14.1%	2.1%	1.8%
Total Equity	35,424.0	30,320.6	5,103.4	16.8%	42.7%	35.7%
TOTAL LIABILITIES AND EQUITY	82,730.5	84,763.6	(2,033.1)	-2.4%	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 decrease by 36.9% or ₱ 4,138.5 million to ₱7,082.4 million as of September 30, 2010 from the ₱11,220.9 million December 31, 2009 balance. The decrease was primarily accounted for by the following:

- ₱18,993.0 million settlement of Miyazawa II, PNOC on-lent, PSALM's staple financing on FG Hydro's acquisition of PAHEP-MAHEP and regular debt servicing;
- ₱4,591.3 million spent for property, plant and equipment
- ₱2,496.3 million payment of cash dividend;

The decrease were partly offset by the proceeds from US\$175 million syndicated term loan facility (₱8,058.8 million) for Parent Company and FG Hydro's loan from local banks (₱5,000.0 million) and internal cash generation for the first nine months of 2010 (₱8,681.5 million).

Trade and other receivables - net

This account, consisting of receivables from NPC, contractors and employees, decrease by 35.5% or ₱1,946.2 million to ₱3,541.0 million as of September 30, 2010 from the ₱5,487.2 million balance as of December 31, 2009. The reduction was primarily due to NPC's prompt payment of the ₱1,287.6 million August billings and settlement of ₱894.9 million final tranche of the arbitral award.

Parts and supplies inventories

The 19.5% or ₱379.3 million increase to ₱2,326.2 million as of September 30, 2010 from the ₱1,946.9 million in December 31, 2009 was mainly due to procurement of drilling consumables and spare parts for the power plants and fluid-collection recycling systems (FCRS).

Other current assets

Other current assets consist mainly of Input VAT refund certificates, prepaid expenses and advances to contractors.

The 452.1% or ₱637.4 million increase to ₱778.4 million as of September 30, 2010 from the ₱ P141.0 million balance as of December 31, 2009 was attributed mainly to the ₱300.0 million Input VAT refund certificates ₱222.5 million prepaid withholding taxes and ₱118.3 million increase in prepaid insurance.

Deferred income tax assets - net

Net deferred tax assets dropped by 59.8% or ₱722.8 million to ₱486.8 million as of September 30, 2010 from the ₱1,209.6 million in December 31, 2009 mainly due to the realization of the deferred tax asset on the unrealized foreign exchange losses brought about by the full settlement of Miyazawa II and PNOC relent loans and maturing principal on OECF loans. This was partly reduced by the ₱249.1 million recognition of GCGI's deferred tax assets due to the completion of its Purchase Price Allocation (PPA).

Exploration and evaluation assets

The 9.5% or ₱98.8 million increase to ₱1,136.9 million as of September 30, 2010 from the ₱1,038.1 million balance as of December 31, 2009 was primarily due to the exploration and evaluation cost of Energy Burgos Wind Power Corporation (EBWPC).

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 97.9% or ₱ 9.4 million as of September 30, 2010 from the ₱9.6 million balance as of December 31, 2009 due to scheduled payments made by FG Hydro.

Other non-current assets

The 122.5% or ₱1,660.8 million increase to ₱3,016.4 million as of September 30, 2010 from the ₱1,355.6 million as of December 31, 2009 was mainly due to the recovery of impairment provision on Input VAT claims.

Trade and other payables

This account decreased by 5.9% or ₱235.1 million to ₱3,750.0 million as of September 30, 2010 from the ₱3,985.1 million in December 31, 2009 mainly due to payment of liabilities to suppliers and contractors and remittance of withholding taxes.

Income tax payable

The 178.5% or ₱118.5 million increase to ₱184.9 million as of September 30, 2010 from the ₱66.4 million December 31, 2009 balance was mainly due to ₱ 405.9 million accrual of income tax liability offset by ₱175.5 million payment and ₱111.0 million application of Withholding Tax Certificates for income tax due in 2010.

Due to related parties

The 93.4% or ₱501.8 million decrease to ₱35.2 million as of September 30, 2010 from the ₱537.0 million balance as of December 31, 2009 was mainly due to FG Hydro's settlement of its loan to First Gen.

Royalty fee payable (inclusive of current portion)

The 22.4% or ₱181.5 million decrease to ₱629.5 million as of September 30, 2010 from the ₱811.0 million balance as of December 31, 2009 due to the ₱351.6 million royalty payments for the first three quarters of 2010 offset by ₱179.9 million accrual of royalty fee due for the period.

Long-term debt (inclusive of current portion)

Long-term debt, consisting of JPY, US\$ and PHP loans, decreased by 13.0% or ₱6,166.8 million to ₱41,297.7 million as of September 30, 2010, from ₱47,464.5 million as of December 31, 2009. The decrease was mainly due to the full settlement of ₱11,043.7 million Miyazawa II loan, ₱4,212.2 million PNOC relent loans and ₱2,299.0 million FG Hydro's staple financing with PSALM, and ₱1,132.3 million settlement of maturing principal on OECF loans and Fixed Coupon Rate Notes. These were offset by ₱8,058.8 million proceeds from US\$175M syndicated term loan facility and ₱5,000.0 million from FG Hydro's loan from local banks.

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 decreased by 100.0% or ₱17.3 million as of September 30, 2010 from the ₱17.3 million balance as of end-December 2009 due to the full settlement of the PSALM facility in 2010.

Net retirement and other post-retirement benefits

This account pertains to the funded, non-contributory, defined benefit retirement plan maintained for all Parent Company's permanent employees. The 6.6% or ₱81.3 million decrease to ₱1,155.8 million as of September 30, 2010 from the ₱1,237.1 million December 31, 2009 balance was mainly due to the ₱327.2 million contribution to the fund offset by ₱245.9 million accrual for the period.

Other long-term liabilities

This account decreased by 21.9% or ₱71.2 million to ₱253.4 million as of September 30, 2010 from the ₱324.6 million balance as of December 31, 2009 mainly due to the payment of the 10 days monetized vacation leave of permanent employees and settlement of vacation & sick leave of separated employees.

Net accumulated unrealized gain on AFS investments

The 19.1% or ₱21.6 million increase to ₱134.8 million as of September 30, 2010 from ₱113.2 million at end-December 2009 mainly due to the higher fair value of the investments.

Retained earnings

The 63.4% or ₱4,865.4 million increase to ₱12,535.3 million as of September 30, 2010 from the ₱7,669.9 million as of December 31, 2009 balance was on account of the ₱7,126.5 million net income attributable to the equity holders of Parent Company posted in the first nine months of 2010 offset by the ₱2,256.3 million cash dividends declared last April 11, 2010.

Minority interest

The 14.1% or ₱216.4 million increase to ₱1,746.2 million as of September 30, 2010 from ₱1,529.8 million as of December 31, 2009 balance on account of the ₱456.4 million First Gen's share in the net income of FG Hydro for the first nine months of 2010 offset by the ₱240.0 million share in cash dividend paid out.

Horizontal and Vertical Analysis of Material Changes as of September 30, 2010 and 2009.

BALANCE SHEET						
Horizontal of Material Changes as of September 30, 2010 and September 30, 2009						
(Amounts In PHP millions)	Sep. 2010	Sep. 2009	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Increase (Decrease) Amount	%	2010	2009
ASSETS						
Current Assets						
Cash and cash equivalents	7,082.4	11,815.6	(4,733.2)	-40.1%	8.6%	16.2%
Trade and other receivables	3,541.0	3,453.1	87.9	2.5%	4.3%	4.7%
Current portion of concession receivables	-	2,082.2	(2,082.2)	-100.0%	0.0%	2.8%
Available-for-sale (AFS) investments	724.1	750.8	(26.7)	-3.6%	0.9%	1.0%
Parts and supplies inventories	2,326.2	1,518.9	807.3	53.2%	2.8%	2.1%
Due from related parties	-	5.3	(5.3)	-100.0%	0.0%	0.0%
Other current assets	778.4	719.9	58.5	8.1%	0.9%	1.0%
	14,452.1	20,345.8	(5,893.7)	-29.0%	17.5%	27.8%
Noncurrent assets held for sale	-	541.9	(541.9)	-100.0%	0.0%	0.7%
Total Current Assets	14,452.1	20,887.7	(6,435.6)	-30.8%	17.5%	28.6%
Noncurrent Assets						
Property, plant and equipment	59,071.0	6,064.0	53,007.0	874.1%	71.4%	8.3%
Service concession assets						
Concession receivables - net of current portion	-	31,077.2	(31,077.2)	-100.0%	0.0%	42.5%
Intangible assets	-	9,699.6	(9,699.6)	-100.0%	0.0%	13.3%
Intangible assets	4,567.1	2,421.5	2,145.6	88.6%	5.5%	3.3%
Deferred tax assets - net	486.8	1,121.4	(634.6)	-56.6%	0.6%	1.5%
Exploration and evaluation assets	1,136.9	1,028.8	108.1	10.5%	1.4%	1.4%
Derivative assets	0.2	25.4	(25.2)	-99.2%	0.0%	0.0%
Other noncurrent assets	3,016.4	833.2	2,183.2	262.0%	3.6%	1.1%
Total Noncurrent Assets	68,278.4	52,271.1	16,007.3	30.6%	82.5%	71.4%
TOTAL ASSETS	82,730.5	73,158.8	9,571.7	13.1%	100.0%	100.0%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Trade and other payables	3,750.0	2,930.6	819.4	28.0%	4.5%	4.0%
Loan payable	-	2,000.0	(2,000.0)	-100.0%	0.0%	2.7%
Income tax payable	184.9	-	184.9		0.2%	0.0%
Due to related parties	35.2	170.9	(135.7)	-79.4%	0.0%	0.2%
Current portion of:						
Long-term debts	1,555.4	14,738.4	(13,183.0)	-89.4%	1.9%	20.1%
Royalty fee payable	247.3	209.3	38.0	18.2%	0.3%	0.3%
Total Current Liabilities	5,772.8	20,049.2	(14,276.4)	-71.2%	7.0%	27.4%
Noncurrent Liabilities						
Long-term debts - net of current portion	39,742.3	22,736.2	17,006.1	74.8%	48.0%	31.1%
Royalty fee payable - net of current portion	382.2	607.8	(225.6)	-37.1%	0.5%	0.8%
Deferred tax liabilities - net	-	11.9	(11.9)	-100.0%	0.0%	0.0%
Net retirement and other post-retirement benefits	1,155.8	1,129.0	26.8	2.4%	1.4%	1.5%
Other long-term liabilities	253.4	268.0	(14.6)	-5.4%	0.4%	0.5%
Total Noncurrent Liabilities	41,533.7	24,752.9	16,780.8	67.8%	50.3%	33.9%
Total Liabilities	47,306.5	44,802.1	2,504.4	5.6%	57.3%	61.3%
EQUITY						
Equity Attributable to Equity Holders of the Parent						
Preferred stock	93.7	75.0	18.7	24.8%	0.1%	0.1%
Common stock	18,750.0	15,000.0	3,750.0	25.0%	22.7%	20.5%
Common stock in employee trust account	(391.6)	-	(391.6)	100.0%	-0.5%	0.0%
Additional paid-in capital	6,261.9	6,278.1	(16.2)	-0.3%	7.6%	8.6%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-4.5%	-5.1%
Accumulated unrealized gain on AFS investments	134.8	113.9	20.9	18.3%	0.2%	0.2%
Deposit for future preferred stock subscription	-	18.7	(18.7)	-100.0%	0.0%	0.0%
Retained earnings	12,535.4	9,381.4	3,154.0	33.6%	15.2%	12.8%
Cost of treasury stock held	-	(404.2)	404.2	-100.0%	0.0%	-0.6%
	33,677.8	26,756.5	6,921.3	25.9%	40.6%	36.5%
Minority Interest	1,746.2	1,600.2	146.0	9.1%	2.1%	2.2%
Total Equity	35,424.0	28,356.7	7,067.3	24.9%	42.7%	38.7%
TOTAL LIABILITIES AND EQUITY	82,730.5	73,158.8	9,571.7	13.1%	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 decreased by 40.1% or ₱4,733.2 million to ₱7,082.4 million from the ₱11,815.6 million balance as of September 30, 2009 was primarily due to:

- ₱19,782.2 million settlement of Miyazawa II, PNOC on-lent, PSALM's staple financing on FGHPC's acquisition of PAHEP-MAHEP and regular debt servicing in the last quarter of 2009 and the first three quarters of 2010.;
- ₱10,165.3 million acquisition of Palinpinon and Tongonan I power plants;
- ₱5,563.5 million for the acquisition of property, plant and equipment;
- ₱4,483.3 million settlement of short-term loans;
- ₱2,496.3 million cash dividends payment; and
- ₱1,279.7 million acquisition of Bac-man power plants.

The above decreases were mainly offset by the:

- ₱12,000.0 million proceeds from the issuance of public bonds;
- ₱8,058.8 million proceeds from club loan facility;
- ₱10,930.6 million internal cash generation;
- ₱5,000.0 million proceeds from long-term peso loans by FG in 2010;
- ₱2,496.9 million proceeds from short-term loans; and
- ₱274.6 million proceeds from sale of Fort Bonifacio (FB) properties to PNOC.

Parts and supplies inventories

The 53.2% or ₱807.3 million increase to ₱2,326.2 million as of September 30, 2010 from ₱1,518.9 million level as of September 30, 2009 was mainly due to the increase, net of withdrawals on power plant spares of GCGI (₱459.5 million) and various materials and supplies for drilling, maintenance and rehabilitation activities in 2010 (₱347.0 million).

Due from related parties

This account pertains to the advance payment made by Parent company to First Balfour for the steam augmentation project in Leyte. No similar transaction in 2010.

Other current assets

Other current assets consist mainly of Input VAT refund certificates, prepaid expenses and advances to contractors.

The 8.1% or ₱58.5 million increase to ₱778.4 million as of September 30, 2010 from the ₱719.9 million balance as of September 30, 2009 was attributed mainly to the ₱300.0 million Input Vat refund certificates offset by ₱275.0 million application of the withholding tax certificate in the payment of income tax of the Parent Company.

Noncurrent assets held for sale

The ₱541.9 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 transaction 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 scoping out of IFRIC 12.

Property, plant and equipment - net

The substantial increase by 874.1% or ₱53,007.0 million to ₱59,071.0 million as of September 30, 2010 from the ₱6,064.0 million in September 30, 2009 was due to the scoping out of IFRIC 12, thus, outstanding balances of Concession receivable and Parent Company Intangible assets accounts as of October 23, 2009 were reclassified to Property, plant and equipment account. The ₱6,909.0 million and ₱1,280.0 million cost of power plants of GCGI and BGI, respectively, also contributed to the increase in this account.

Intangible assets-net

Intangible asset decreased by 62.3% or ₱7,554.0 million to ₱4,567.1 million as of September 30, 2010 from the ₱12,121.1 million balance as of September 30, 2009. The decrease was due to the scoping out of IFRIC 12, thus, outstanding balances of the Parent Company's Intangible assets accounts as of October 23, 2009 was reclassified to property, plant and equipment accounts. The ₱96.2 million amortization of FG Hydro's water rights also contributed to the decrease in this account. The decrease was partially offset by the ₱2,241.7 million goodwill of GCGI on the acquisition of Palinpinon and Tongonan I power plants.

Deferred tax assets - net

Net deferred tax assets decreased by 56.6% or ₱634.6 million to ₱486.8 million as of September 30, 2010 from ₱1,121.4 million balance in September 30, 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 and by the realization of the deferred tax asset on unrealized forex losses brought about by the full settlement of PNOC relent loans, payment of maturing principal on OECF loans and Miyazawa II. The foregoing decreases were partly cushioned by the ₱249.1million recognition of GCGI's deferred tax assets due to the completion of its Purchase Price allocation (PPA).

Exploration and evaluation assets

This account increased by 10.5% or ₱108.1 million to ₱1,136.9 million as of September 30, 2010 from the ₱1,028.8 million balance in the same period of 2009 primarily due to the exploration and evaluation cost of Energy Burgos Wind Power Corporation.

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 99.2% or ₱25.2 million as of September 30, 2010 from the ₱25.4 million balance as of September 30, 2009 due to scheduled payments made by FG Hydro.

Other non-current assets, net

The 262.0% or ₱2,183.2 million increase to ₱3,016.4 million as of September 30, 2010 from ₱833.2 million in September 30, 2009 was mainly due to the ₱1,338.9 million recovery of impairment provision on Input VAT claims and ₱701.1 million Input VAT claims for the period.

Trade and other payables

The 28.0% or ₱819.4 million increase to ₱3,750.0 million in the first nine months of 2010 from ₱2,930.6 million in the same period of 2009 was mainly due to the ₱581.4 million increase in liabilities to suppliers/contractors and withholding taxes plus the ₱269.5 million accrued interest on loans.

Loan Payable

The September 2009 balance pertained to short term borrowing which was also fully settled in December 31, 2009.

Income tax payable

The ₱184.9 million balance as of September 30, 2010 was accounted by the ₱448.0 million accrual of income tax liability offset by ₱175.5 million payment and ₱88.5 million application of Withholding Tax Certificates for income tax due in 2010.

Due to related parties

This account decreased by 79.4% or ₱135.7 million to ₱35.2 million as of September 30, 2010 from the ₱170.9 million balance as of September 30, 2009 due to FG Hydro's settlement of its loan to First Gen.

Royalty fee payable (inclusive of current portion)

This account decreased by 23.0% or ₱187.6 million to ₱629.5 million as of September 30, 2010 from ₱817.1 million as of September 30, 2009 due to royalty payments effected.

Long-term debt (inclusive of current portion)

Long-term debt, consisting of JPY, US\$ and PHP loans, increased by 10.2% or ₱3,823.1 million to ₱41,297.7 million as of September 30, 2010 from ₱37,474.6 million as of September 30, 2009. The increase was primarily due to the following:

- ₱12,000.0 million from issuance of public bonds in December 2009;
- ₱8,058.8 million from the syndicated term loan facility in 2010; and
- ₱5,000.0 million from long-term peso loans by FG Hydro in 2010.

The above loans were mainly reduced by the ₱19,782.2 million settlement of Miyazawa II, PNOC on-lent, PSALM's staple financing on FG Hydro's acquisition of PAHEP-MAHEP and regular debt servicing in 2010 and ₱1,453.5 million unrealized foreign exchange gains and unamortized 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 PSALM staple financing.

It decreased by 100.0% or ₱11.9 million as of September 30, 2010 from the ₱11.9 million balance as of September 30, 2009 with the full settlement of FG Hydro's PSALM staple financing.

Other long-term liabilities

This account decreased by 5.4% or ₱14.6 million to ₱253.4 million as of September 30, 2010 from ₱268.0 million as of September 30, 2009 mainly due to the settlement of accrued vacation and sick leave benefits of separated employees.

Preferred Stock/Common Stock

The increase pertained to the 25% subscription to the 7.5 billion increase in authorized preferred stock and 25% common stock dividend of the Parent Company 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

The 18.3% or ₱20.9 million increase to ₱134.8 million as of September 30, 2010 from ₱113.9 million September 30, 2009 balance was mainly due to the increase in fair value of the investments.

Retained earnings

Retained earnings increased by 33.6% or ₱3,154.0 million to ₱12,535.4 million as of September 30, 2010 from the ₱9,381.4 million as of September 30, 2009. This was mainly accounted for by the ₱9,165.0 million net income posted from September 2009 to first nine months of 2010 offset by the ₱3,750.0 million stock dividend in the last quarter of 2009 and ₱2,256.3 cash dividend paid-out in 2010.

Minority interest

This account increased by 9.1% or ₱146.0 million to ₱1,746.2 million as of September 30, 2010 from ₱1,600.2 million as of September 30, 2009 balance on account of First Gen's share in the net income of FG Hydro from October 2009 to September 2010.

CASH FLOW

Net cash flows from operating activities increased by 16.9% or ₱1,323.1 million to ₱9,128.1 million in the first nine months of 2010 from ₱7,805.0 million during the same period in 2009 mainly due to ₱1,061.1 decrease in payment of income tax and royalty payable in 2010. The favorable variance was due to the absence of similar transactions in 2010 such as the payment of income tax on deemed income on sale of FB properties and the impact of the Parent Company's registration as an RE developer effective February 2009.

Net cash flows used in investing activities increased by ₱4,541.8 million to ₱4,760.0 as of September 30, 2010 from ₱218.2 million during the same period in 2009 mainly due to the ₱2,274.7 million increase in property, plant and equipment in the Parent Company on account of the scoping out of IFRIC 12, ₱1,279.7 million BGI's acquisition cost of Bacman power plants and ₱1,127.7 million proceeds from the sale of Fort Bonifacio (FB) properties to PNOC in 2009 while none in 2010.

Net cash flow used in financing activities amounted to ₱8,495.6 million in September 30, 2010, a turnaround from net cash flow from financing activities of ₱3,275.4 million as of September 30, 2009 mainly due to the ₱18,993.0 million settlement of Miyazawa II, PNOC on-lent, PSALM's staple financing on FG Hydro's acquisition of PAHEP-MAHEP and regular debt servicing. This was partly offset by the Parent Company's ₱8,058.8 million proceeds from the US\$175 million syndicated term loan facility and from FG Hydro's ₱5,000.0 million peso loans from local banks.

DISCUSSION ON THE SUBSIDIARIES

FG Hydro

2010 First Three Quarters Results

(Amounts in PHP millions)	As of and for the periods ended September 30	
	2010 (Unaudited)	2009 (Unaudited)
Revenues	1,863.2	999.2
Operating expenses	(517.6)	(421.7)
Other income (charges)	(221.4)	(286.3)
Income before income tax	1,124.2	291.2
Benefit from income tax	16.8	(1.0)
Net income	1,141.0	290.2
Total Current Assets	1,982.3	484.5
Total Non-Current Assets	7,764.8	7,174.3
Total Current Liabilities	631.1	1,443.5
Total Noncurrent Liabilities	4,750.6	2,214.8
Total Equity	4,365.4	4,000.5

FG Hydro generated revenues of ₱1,863.2 million for the nine-month period ended September 30, 2010, 86.5% or ₱864.0 million higher than revenues of ₱999.2 million for the same period in 2009. The favorable variance was mainly on account of the combined effects of higher dispatch due to increased irrigation requirements and 10 MW increase in power generation capacity on account of the completion of the rehabilitation of PAHEP's Unit 1, and significantly higher spot prices in the WESM driven by supply shortage in the first quarter. The appreciation of the Peso further boosted the favorable variance with foreign exchange gains of ₱90.9 million for the nine-month period ended September 30, 2010 compared with losses of ₱3.8 million for the same period in 2009. The favorable variances were partly offset, however, by increased depreciation and higher accrued taxes. Overall, FG Hydro posted a net income of ₱1,141.0 million for the nine-month period ended September 30, 2010, 293.2% or ₱850.8 million better than the ₱290.2 million reported income for the same period in 2009.

Total assets as of September 30, 2010 stood at ₱9,747.1 million, 27.3% or ₱2,088.3 million higher than the 2009 level of ₱7,658.8 million. The favorable variance was mainly due to higher cash balance from the Peso loan proceeds, and capital expenditures resulting from the on-going Pantabangan refurbishment and upgrade project, partly offset by depreciation and amortization charges during the period.

As of September 30, 2010, total liabilities stood at ₱5,381.7 million, 47.1% or ₱3,166.9 million higher than the 2009 level of ₱3,658.3 million. The increase in liabilities was mainly due to the refinancing of the PSALM's deferred payment facility with the ₱5.0 billion peso loan.

Total equity as of September 30, 2010 of ₱4,365.4 million is 9.1% or ₱364.9 million higher compared to the September 30, 2009 level of ₱4,000.5 million.

GCGI

YTD September 2010 Results

(Amounts in PHP millions)	YTD June 2010	YTD Sep 2010
Revenues	3,145.5	5,060.0
Operating expenses	(3,242.9)	(4,969.6)
Other charges	(279.6)	(390.8)
Loss before income tax	(377.0)	(300.4)
Benefit from income tax	113.6	30.3
Net loss	(263.4)	(270.1)
Total Current Assets	1,003.1	1,455.4
Total Non-Current Assets	10,040.9	9,456.9
Total Current Liabilities	7,082.4	6,968.6
Total Equity	3,961.6	3,943.7

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

GCGI's revenues for the period January 1 to September 30, 2010 amounted to ₱5,060.0 million (net of prompt payment discount availed by the customers). Revenues came from the Palinpinon and Tongonan Geothermal Power Plants electricity sales to its various TSC customers (₱4,691.4 million), replacement power supplied by GCGI to EDC (₱173.5 million) and the excess generations supplied by GCGI to NPC Customers – net of the electricity provided by NPC to GCGI customers (₱153.1 million). The remaining ₱42 million revenues were attributed to the replacement power delivered by East Asia Utilities Corporation (EAUC) and SPC Island Power Corporation (SIPC) to GCGI customers.

Operating expenses were traced to geothermal steam provided by EDC (as fuel) to GCGI's power plants (₱3,944.6 million), depreciation (₱437.3 million), operations and maintenance (₱361.7 million), general and administrative (₱145.8 million) and purchased services and utilities (₱80.2 million). Meanwhile, other charges were largely attributable to net financial expenses (₱390.3 million).

Total current assets were mainly for trade and other receivables (₱939.1 million), parts and supplies inventories (₱393.1 million) and cash and cash equivalents (₱81.8 million) while bulk of the noncurrent assets were traced to property, plant and equipment (₱6,909.0 million) and goodwill (₱2,241.7 million) and deferred tax asset (₱280.6 million).

Total current liabilities pertained to the cash support provided by EDC to GCGI, including the advances that were used to prepay the 60% PSALM deferred payment facility (₱5,873.1 million) and trade and other payables (₱1,095.5 million).

Total equity consisted of the 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) offset by the ₱221.9 million deficit.

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

As of September 30, 2010, the company has unserved purchase orders and awarded contracts for the purchase of various capital goods in the total amount of ₱62.9 million.

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

Legal proceedings

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

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

The Company has ₱12,231.6 million in long-term US dollar and Yen denominated loans as of September 30, 2010. These comprise 17.9% and 11.7%, respectively, of the total outstanding debt.

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 September 30, 2010, the total number of stockholders was 693 and the stock price was P6.09.

List of Top 20 Stockholders as of September 30, 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		7,840,651,142	7,840,466,142	27.88%
3	PCD Nominee Corporation	Filipino		2,729,499,671	2,729,499,671	9.70%
4	First Gen Corporation	Filipino		458,643,750	458,643,750	1.63%
5	Spathodea Campanulata, Inc.	Filipino		100,000,000	100,000,000	0.36%
6	Philhealth Care, Inc.	Filipino		63,725,350	63,725,350	0.23%
7	Sytems Technology, Inc.	Filipino		12,745,200	12,745,200	0.05%
8	The Insular Life Assurance Co., Ltd.	Filipino		8,423,750	8,423,750	0.03%
9	Peter D. Garrucho, Jr.	Filipino		5,545,000	5,545,000	0.02%
10	Benjamin K. Liboro	Filipino		3,525,500	3,525,500	0.01%
11	Ernesto B. Rufino, Jr.	Filipino		2,175,000	2,175,000	0.01%
12	Hi-Light Corporation	Filipino		1,577,500	1,577,500	0.01%
13	Mapazon Corporation	Filipino		1,470,000	1,470,000	0.01%
14	Ronaldo C. Sabella	Filipino		1,018,750	1,018,750	0.00%
15	ALG Holdings Corporation	Filipino		875,000	875,000	0.00%
16	CROSLO Holdings Corporation	Filipino		875,000	875,000	0.00%
17	Tan Ben Kuan	Filipino		875,000	875,000	0.00%
18	Engracio A. Sanchez	Filipino		690,000	690,000	0.00%
19	Rosalind Camara	Filipino		663,750	663,750	0.00%
20	Rodolfo R. Waga, Jr.	Filipino		658,750	658,750	0.00%

BOARD OF DIRECTORS

As of September 30, 2010, the members of Board of Directors of EDC are as follows:

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

OFFICERS

As of September 30, 2010, the officers of EDC are as follows:

Name	Position
Federico R. Lopez	Chief Executive Officer
Richard B. Tantoco	President and Chief Operating Officer
Ernesto B. Pantangco	Executive Vice President
Agnes C. de Jesus	Senior Vice President for Environmental and External Affairs and Compliance Officer
Anthony M. Mabasa	Senior Vice President
Regina Pia B. Go*	Senior Vice President & Chief Financial Officer
Nestor H. Vasay**	Senior Vice President & Chief Financial Officer
Erwin O. Avante***	Acting Chief Financial Officer
Marcelino M. Tongco	Vice President for Steam Field 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
Teodorico Jose R. Delfin****	Corporate Secretary
Ana Maria A. Katigbak-Lim	Assistant Corporate Secretary
Glenn L. Tee**	Senior Manager, Internal Audit
Erudito S. Recio	Senior Manager, Investor Relations

**Resigned on November 1, 2010*

***Appointed by the BOD on November 8, 2010*

****Acted as CFO from July 28 to September 30, 2010*

*****Appointed by the BOD on July 29, 2010*

SIGNATURES

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


Registrant

ENERGY DEVELOPMENT CORPORATION



NESTOR H. MASAY
Senior Vice President and Chief Financial Officer

November 15, 2010
Date Signed



AGNES C. DE JESUS
Senior Vice President and Compliance Officer

November 15, 2010
Date Signed

Annex I

Energy Development Corporation and Subsidiaries

Unaudited Interim Condensed
Consolidated Financial Statements
September 30, 2010 and 2009
(With Comparative Figures as of December 31, 2009)

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2010 AND 2009

(With Comparative Figures as of December 31, 2009)

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited, Restated, Note 37)	September 30, 2009 (Unaudited)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 5 and 36)	₱7,082,360,583	₱11,220,897,157	₱11,815,559,588
Trade and other receivables (Notes 6 and 36)	3,541,046,037	5,487,246,002	3,453,082,327
Current portion of concession receivables	-	-	2,082,203,422
Available-for-sale (AFS) investments (Note 36)	724,130,139	734,811,000	750,806,879
Parts and supplies inventories (Notes 7 and 37)	2,326,169,847	1,946,879,650	1,518,949,734
Due from related parties (Notes 27 and 36)	-	-	5,314,010
Other current assets	778,400,344	140,998,551	719,908,198
	14,452,106,950	19,530,832,360	20,345,824,158
Noncurrent assets held for sale (Note 8)	-	-	541,842,000
Total Current Assets	14,452,106,950	19,530,832,360	20,887,666,158
Noncurrent Assets			
Property, plant and equipment (Notes 9 and 37)	59,070,976,945	56,980,708,681	6,063,980,762
Service concession assets:			
Concession receivables - net of current portion	-	-	31,077,179,714
Intangible assets (Note 10)	-	-	9,699,577,456
Intangible assets (Notes 10 and 37)	4,567,089,716	4,639,233,083	2,421,545,424
Deferred tax assets - net (Notes 26 and 37)	486,736,974	1,209,613,615	1,121,396,467
Exploration and evaluation assets	1,136,932,812	1,038,052,272	1,028,788,629
Derivative assets (Note 36)	236,368	9,611,022	25,412,438
Other noncurrent assets (Note 11)	3,016,413,777	1,355,560,188	833,255,392
Total Noncurrent Assets	68,278,386,592	65,232,778,861	52,271,136,282
TOTAL ASSETS	₱82,730,493,542	₱84,763,611,221	₱73,158,802,440

LIABILITIES AND EQUITY

Current Liabilities

Trade and other payables (Notes 12 and 36)	₱3,750,030,677	₱3,985,053,445	₱2,930,539,869
Loan payable (Note 36)	-	-	2,000,000,000
Income tax payable	184,903,098	66,400,060	8,443
Due to related parties (Notes 27 and 36)	35,182,762	537,020,209	170,911,278
Current portion of:			
Long-term debts (Notes 14, 29 and 36)	1,555,374,771	16,930,776,636	14,738,416,797
Royalty fee payable (Notes 13 and 36)	247,327,173	244,306,963	209,314,859
Total Current Liabilities	5,772,818,481	21,763,557,313	20,049,191,246

(Forward)

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited, Restated, Note 37)	September 30, 2009 (Unaudited)
Noncurrent Liabilities			
Long-term debts - net of current portion (Notes 14, 29 and 36)	₱39,742,312,527	₱30,533,721,755	₱22,736,173,022
Royalty fee payable - net of current portion (Notes 13 and 36)	382,157,331	566,697,746	607,879,950
Deferred tax liabilities - net (Note 26)	-	17,340,023	11,889,778
Net retirement and other post-retirement benefits	1,155,845,991	1,237,097,147	1,128,991,893
Other long-term liabilities	253,351,742	324,661,737	268,016,524
Total Noncurrent Liabilities	41,533,667,591	32,679,518,408	24,752,951,167
Total Liabilities	47,306,486,072	54,443,075,721	44,802,142,413
Equity Attributable to Equity Holders of the Parent Company			
Preferred stock (Note 16)	93,750,000	93,750,000	75,000,000
Common stock (Note 16)	18,750,000,000	18,750,000,000	15,000,000,000
Common shares in employee trust account	(391,643,364)	(391,643,364)	-
Additional paid-in capital	6,261,957,052	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	134,805,593	113,177,323	113,890,681
Deposit for future preferred stock subscription	-	-	18,750,000
Retained earnings (Note 37)	12,535,397,538	7,669,894,141	9,381,376,252
Cost of treasury stock held - 93,000,000 shares (Note 16)	-	-	(404,219,068)
	33,677,836,050	28,790,774,383	26,756,442,744
Non-controlling interest	1,746,171,420	1,529,761,117	1,600,217,283
Total Equity	35,424,007,470	30,320,535,500	28,356,660,027
TOTAL LIABILITIES AND EQUITY	₱82,730,493,542	₱84,763,611,221	₱73,158,802,440

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2010 AND 2009

	Three-month Periods Ended September 30		Nine-month Periods Ended September 30	
	2010	2009	2010	2009
REVENUES (Note 4)				
Sale of electricity	₱5,785,103,600	₱ 3,393,215,696	₱17,526,494,046	₱10,232,475,326
Sale of steam	324,086,137	1,119,259,153	1,210,127,475	3,127,551,572
Drilling services	190,936,065	214,412,973	585,103,821	614,406,011
Interest income on service concessions	–	479,287,145	–	1,490,446,446
Construction revenue	–	72,787,970	–	521,807,836
	6,300,125,802	5,278,962,937	19,321,725,342	15,986,687,191
OPERATING EXPENSES				
Operations and maintenance (Note 18)	(1,195,909,349)	(1,120,829,849)	(3,534,122,972)	(4,465,325,672)
General and administrative (Note 19)	(2,465,576,307)	(1,025,034,850)	(2,798,340,226)	(2,603,534,354)
Purchased services and utilities (Note 17)	(554,398,825)	(437,691,298)	(1,316,165,117)	(1,375,418,661)
Depreciation and amortization (Notes 4, 9 and 10)	(893,101,280)	(253,765,521)	(2,543,120,781)	(572,993,095)
Construction costs	–	(62,748,250)	–	(449,834,341)
	(5,108,985,761)	(2,900,069,768)	(10,191,749,096)	(9,467,106,123)
FINANCIAL INCOME (EXPENSES)				
Interest income (Notes 4 and 22)	36,140,575	(64,146,579)	260,462,624	305,132,477
Interest expense (Notes 4 and 21)	(1,093,807,546)	(857,434,408)	(2,878,988,118)	(2,063,641,356)
	(1,057,666,971)	(921,580,987)	(2,618,525,494)	(1,758,508,879)
OTHER INCOME (CHARGES) (Note 4)				
Foreign exchange gain (loss) - net (Note 20)	414,329,986	(949,406,222)	104,627,482	197,091,575
Derivatives gain (loss) - net (Note 36)	204,091	681,177	437,232,719	(185,153,946)
Miscellaneous - net (Note 23)	1,649,832,355	100,148,642	1,641,505,145	(28,232,420)
	2,064,366,432	(848,576,403)	2,183,365,346	(16,294,791)
INCOME BEFORE INCOME TAX	2,197,839,502	608,735,779	8,694,816,098	4,744,777,398
BENEFIT FROM (PROVISION FOR)				
INCOME TAX				
Current (Note 26)	(146,597,466)	369,930,983	(406,455,175)	(1,066,284,121)
Deferred (Note 26)				
Effect of Renewable Energy (RE) Law	–	(2,959,179,200)	–	(2,959,179,200)
Others	(205,066,990)	684,562,086	(705,466,619)	669,587,924
	(351,664,456)	(1,904,686,131)	(1,111,921,794)	(3,355,875,397)
NET INCOME (LOSS)	₱1,846,175,046	(1,295,950,352)	₱7,582,894,304	₱1,388,902,001
Net income (loss) attributable to:				
Equity holders of the Parent Company	₱1,902,568,218	(₱1,321,704,998)	₱7,126,484,001	₱1,272,818,017
Non-controlling interest	(56,393,172)	25,754,646	456,410,303	116,083,984
	₱1,846,175,046	(₱1,295,950,352)	₱7,582,894,304	₱1,388,902,001
Basic/Diluted Earnings (Loss) Per Share for Net Income Attributable to Equity Holders of the Parent Company (Note 25)	₱0.101	(₱0.071)	₱0.380	₱0.068

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2010 AND 2009

	Three-month Periods Ended		Nine-month Periods Ended	
	September 30		September 30	
	2010	2009	2010	2009
Net Income (Loss)	₱1,846,175,046	(₱1,295,950,352)	₱7,582,894,304	₱1,388,902,001
Other Comprehensive Income				
Changes in fair value of AFS investments recognized in equity	9,099,306	24,017,541	21,628,270	79,735,694
Net unrealized gain on AFS investments removed from equity and recognized in profit or loss	-	3,328,633	-	3,328,633
Total Comprehensive Income (Loss)	₱1,855,274,352	(₱1,268,604,178)	₱7,604,522,574	₱1,471,966,328
Total Comprehensive Income (Loss)				
Attributable to:				
Equity holders of the Parent				
Company	₱1,911,667,524	(₱1,294,358,824)	₱7,148,112,271	₱1,355,882,344
Non-controlling interest	(56,393,172)	25,754,646	456,410,303	116,083,984
	₱1,855,274,352	(₱1,268,604,178)	₱7,604,522,574	₱1,471,966,328

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009

Equity Attributable to Equity Holders of the Parent Company

	Preferred Stock	Common Stock	Common Shares in Employee Trust Account	Additional Paid-in Capital	Equity Reserve	Net Accumulated Unrealized Gain on AFS Investments	Deposit for Future Preferred Stock Subscription	Retained Earnings	Cost of Treasury Stock Held	Total	Non-controlling Interest	Total Equity
Balances, January 1, 2010, as previously reported	₱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
Purchase price allocation adjustment (Note 37)	-	-	-	-	-	-	-	(11,326,305)	-	(11,326,305)	-	(11,326,305)
Balances, January 1, 2010, as restated	93,750,000	18,750,000,000	(391,643,364)	6,262,027,052	(3,706,430,769)	113,177,323	-	7,669,894,141	-	28,790,774,383	1,529,761,117	30,320,535,500
Total comprehensive income	-	-	-	-	-	21,628,270	-	7,126,484,001	-	7,148,112,271	456,410,303	7,604,522,574
Documentary stamp tax on:												
Preferred shares subscription	-	-	-	-	-	-	-	(131,250)	-	(131,250)	-	(131,250)
Common shares subscriptions	-	-	-	-	-	-	-	(4,516,021)	-	(4,516,021)	-	(4,516,021)
Adjustment on deferred tax capital provision	-	-	-	(70,000)	-	-	-	-	-	(70,000)	-	(70,000)
Cash dividends (Note 32)	-	-	-	-	-	-	-	(2,256,333,333)	-	(2,256,333,333)	-	(2,256,333,333)
Cash dividends to non-controlling interest (Note 32)	-	-	-	-	-	-	-	-	-	-	(240,000,000)	(240,000,000)
Balances, September 30, 2010	₱93,750,000	₱18,750,000,000	(₱391,643,364)	₱6,261,957,052	(₱3,706,430,769)	₱134,805,593	₱-	₱12,535,397,538	₱-	₱33,677,836,050	₱1,746,171,420	₱35,424,007,470
Balances, January 1, 2009	₱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	-	-	-	-	-	83,064,327	-	1,272,818,017	-	1,355,882,344	116,083,984	1,471,966,328
Deposit for future preferred stock subscription	-	-	-	-	-	-	18,750,000	-	-	18,750,000	-	18,750,000
Cash dividends (Note 32)	-	-	-	-	-	-	-	(1,869,375,000)	-	(1,869,375,000)	-	(1,869,375,000)
Balances, September 30, 2009	₱75,000,000	₱15,000,000,000	₱-	₱6,278,075,648	(₱3,706,430,769)	₱113,890,681	₱18,750,000	₱9,381,376,252	(₱404,219,068)	₱26,756,442,744	₱1,600,217,283	₱28,356,660,027

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱8,694,816,098	₱4,744,777,398
Adjustments for:		
Interest expense	2,878,988,118	2,063,641,356
Depreciation and amortization (Notes 4, 9 and 10)	2,543,120,781	572,993,095
Recovery of impairment allowance on input VAT claims (Note 23)	(1,638,885,544)	–
Derivatives loss (Note 36)	9,364,622	9,505,321
Interest income (Notes 4 and 22)	(260,462,624)	(305,132,477)
Provision for retirement and other post-retirement benefits	245,936,342	102,597,410
Net unrealized foreign exchange losses (gains)	(237,856,610)	164,707,056
Provision for doubtful accounts (Note 19)	17,220,812	96,773,207
Provision for (reversal of) impairment of parts and supplies inventories (Notes 18 and 19)	(17,175,817)	119,753,786
Loss on retirement of property, plant and equipment	2,469,565	58,190
Write-off of input Value Added Tax (VAT) claimed (Note 23)	–	178,639,119
“Day 1” gain on deferred royalties (Note 23)	–	(168,284,986)
Interest income on service concession	–	(1,490,446,446)
Write-down of exploration and evaluation assets (Note 23)	–	77,622,605
Receipt of inventories from power plant contractor (Note 23)	–	(53,992,600)
Losses from unused tax credit certificate and others	–	12,207,982
Loss on sale of noncurrent asset held for sale (Note 23)	–	4,000,000
Impairment loss on noncurrent AFS investments	–	3,328,633
Operating income before working capital changes	12,237,535,743	6,132,748,649
Decrease (increase) in:		
Trade and other receivables	1,414,911,184	2,393,623,116
Concession receivables	–	3,026,497,509
Parts and supplies inventories	(362,114,381)	(21,426,538)
Other current assets	(122,155,769)	(377,377,141)
Increase (decrease) in:		
Trade and other payables	(174,927,112)	190,243,980
Due to related parties	(501,837,448)	(47,148,848)
Royalty fee payable	(226,749,586)	(788,326,726)
Cash generated from operations	12,264,662,631	10,508,834,001
Retirement and other post-retirement benefits contributions	(327,187,498)	–
Income taxes paid	(199,452,058)	(698,862,032)
Interest and financing charges paid	(2,609,960,674)	(2,004,983,843)
Net cash flows from operating activities	9,128,062,401	7,804,988,126
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (Note 9)	(3,311,600,921)	(1,075,793,055)
Payment for acquisition of Bacon-Manito Geothermal Power Plants (Notes 33 and 37)	(1,279,725,000)	–
Interest received	211,380,118	246,370,926
Additions to:		
Exploration and evaluation assets	(98,880,541)	(107,699,453)
Intangible assets (Note 10)	–	(521,807,837)
Decrease (increase) in:		
Other noncurrent assets	(281,128,908)	275,396,263
Due from related parties	–	(162,434,189)
Proceeds from sale of noncurrent assets held for sale	–	1,127,745,000
Net cash flows used in investing activities	(4,759,955,252)	(218,222,345)

(Forward)

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of long-term debts	₱13,058,750,000	₱13,100,000,000
Availment of short-term loan	463,840,000	–
Increase in due to related parties	–	274,641,788
Deposit for future preferred stock subscription	–	18,750,000
Payments of:		
Long-term debts	(18,992,961,348)	(8,090,280,067)
Short-term loan	(452,950,000)	–
Cash dividends (Note 32)	(2,496,333,333)	(1,869,375,000)
Documentary stamp tax	(4,647,271)	–
Obligations to a power plant contractor	–	(113,490,959)
Decrease in other long-term liabilities	(71,309,995)	(44,800,333)
Net cash flows from (used in) financing activities	(8,495,611,947)	3,275,445,429
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,127,504,798)	10,862,211,210
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(11,031,776)	(3,739,882)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,220,897,157	957,088,260
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱7,082,360,583	₱11,815,559,588

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT CORPORATION AND SUBSIDIARIES
SELECTED NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

	Percentage of Ownership	
	2010	2009
First Luzon Geothermal Energy Corporation (FL Geothermal)	100%	100%
Green Core Geothermal Inc. (GCGI)	100%	100%
Bac-Man Geothermal Inc. (BGI) *	100%	–
Unified Leyte Geothermal Energy Inc. (ULGEI) *	100%	–
EDC Drillco Corporation (EDC Drillco)**	100%	100%
First Gen Hydro Power Corporation (FG Hydro)	60%	60%
EDC Wind Energy Holdings Inc. (EWEHI) *	100%	–
EDC Burgos Wind Power Corporation (EBWPC) *	100%	–
Energy Development (EDC) Corporation Chile Limitada (EDC Chile Limitada) *	100%	–

* Incorporated in 2010 and not yet started commercial operations.

** Not started commercial operations yet.

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 Holdings Corporation (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 Parent 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 the Parent Company effective May 12, 2009.

The Parent Company operates 12 geothermal projects in five geothermal service contract areas, namely Leyte Geothermal Production Field (LGPF), Southern Negros Geothermal Production Field (SNGPF), BacMan Geothermal Production Field (BGPF), Mindanao Geothermal Production Field (MGPF) and Northern Negros Geothermal Production Field (NNGPF) under the Geothermal Service Contracts (GSCs) entered into with the Department of Energy (DOE) pursuant to the

provisions of Presidential Decree (P.D.) 1442. These GSCs were replaced by Geothermal Renewable Energy Service Contracts (GRESCs) on October 23, 2009 under the following project names and DOE Certificate of Registrations:

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

Geothermal steam produced are partly sold to the National Power Corporation (NPC) while the remainder are fed to the Parent Company and subsidiary's power plants to produce electricity. EDC sells steam and power to NPC under the Steam Sales Agreements (SSAs) and Power Purchase Agreements (PPAs), respectively. EDC also sells electricity to Iloilo 1 Electric Cooperative (ILECO) under the Electricity Sales Agreement. Separately, it also has drilling activities in Papua New Guinea.

On 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).

On July 29, 2010 annual stockholders meeting, the stockholders approved the amendment of the Parent Company's name from Energy Development (EDC) Corporation to Energy Development Corporation. The SEC approved the change of the Parent Company's name on November 5, 2010.

FL Geothermal is a special-purpose company incorporated on April 9, 2008 to participate in the bid for another local power plant. The bid was won by and awarded to another local entity. Thereafter, there has been no business activity yet as far as FL Geothermal is concerned other than being the investment holding company of its wholly owned subsidiaries, namely GCGI, BGI and ULGEI. It also has a 0.01% stake in EDC Chile Limitada.

GCGI 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 ₱1.00 million divided into 100,000 common 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 ₱1.00 million to ₱1.00 billion divided into 50 million common shares with a par value of ₱10.00 per share and 500 million preferred shares with a 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 ₱1.00 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.

BGI is a special-purpose company incorporated on April 7, 2010 to participate in the bid for another local power plant. BGI won the bid by submitting the highest offer price on May 5, 2010 (see Notes 33 and 37). BGI has an authorized capital stock of ₱1.00 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.

EWEHI, a holding company incorporated on April 15, 2010, has an authorized capital stock of ₱0.04 million divided into 400 shares with a par value of ₱100.00 per share. Total subscribed and paid-up capital is ₱0.01 million, 25% of the authorized capital stock.

EBWPC is a company incorporated on April 13, 2010 to carry on the general business of generating, transmitting, and/or distributing energy. EBWPC has an authorized capital stock of ₱0.40 million divided into 4,000 shares with a par value of ₱100.00 per share. Total subscribed and paid-up capital is ₱0.10 million, 25% of the authorized capital stock.

On March 10, 2010, the BOD of the Parent Company authorized the assignment and transfer to EBWPC all contracts, assets, permits and licenses relating to the establishment and operation of the Burgos Wind Project under DOE Certificate of Registration No. WESC 2009-09-004. The BOD also authorized the subsequent reorganization of EWEHI and EBWPC into a holding company and operating company structure whereby EWEHI shall remain a wholly owned subsidiary of EDC, and EBWPC shall become a wholly owned subsidiary of EWEHI. This was implemented through the sale by EDC of 1,000 common shares of stock with a par value of ₱100.00 per share of EBWPC to EWEHI which was executed on May 28, 2010.

ULGEI is a company incorporated on June 23, 2010 to carry on the general business of generating, transmitting, and/or distributing energy. ULGEI has an authorized capital stock of ₱0.10 million divided into 100,000 shares with a par value of ₱1.00 per share. Total subscribed and paid-up capital is ₱0.025 million, 25% of the authorized capital stock.

EDC Chile Limitada is a limited liability company incorporated on February 11, 2010 in Santiago, Chile with the purpose of exploring, evaluating and extracting of any mineral or substance to generate geothermal energy. It has an authorized capitalization of Chilean pesos (Ch\$)330.00 million, of which EDC accounts for 99.99%, or Ch\$329.99 million, while FL Geothermal accounts for 0.01%, or Ch\$500. The capital contribution is payable within three years from the date of incorporation or as EDC Chile Limitada requires. As of September 30, 2010, actual capital contribution amounted to Ch\$228.21 million or ₱20.35 million.

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 November 4, 2010. The same unaudited interim condensed consolidated financial statements were also approved and authorized for issuance by the BOD on November 8, 2010.

2. Basis of Preparation

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

The unaudited interim condensed consolidated financial statements, which have been prepared under the historical cost basis except for AFS investments and derivative assets that have been measured at fair values, are presented in Philippine peso, which is the currency of the primary economic environment in which the Parent Company operates.

3. Significant Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements as of and for the year ended December 31, 2009, except for the adoption of the following new and amended accounting standards that became effective beginning January 1, 2010.

- PFRS 3, *Business Combinations* (Revised), and PAS 27, *Consolidated and Separate Financial Statements* (Amended)
The revised standards are effective for annual periods beginning on or after July 1, 2009. PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. PFRS 3 (Revised) will be applied prospectively while PAS 27 (Amended) will be applied retrospectively with a few exceptions.

Adoption of the following changes in standards and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations did not have any significant impact on the Company's consolidated financial statements.

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*
- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*
- PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
- Amendments to PFRS 2, *Share-based Payments - Group Cash-settled Share-based Payment Transactions*

Improvements to PFRS

- PFRS 2, *Share-based Payment*
- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
- PFRS 8, *Operating Segments*
- PAS 1, *Presentation of Financial Statements*
- PAS 7, *Statement of Cash Flows*
- PAS 17, *Leases*
- PAS 36, *Impairment of Assets*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*

4. **Operating Segment Information**

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 60% 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 Others	Eliminations	Total
Period Ended September 30, 2010:					
Segment revenue from external customers	₱17,526,494,046	₱1,210,127,475	₱585,103,821	₱-	₱19,321,725,342
Intersegment revenue	173,477,505	3,944,615,390	-	(4,118,092,895)	-
Total segment revenue	17,699,971,551	5,154,742,865	585,103,821	(4,118,092,895)	19,321,725,342
Segment expenses	(11,613,643,124)	(2,146,986,551)	(535,440,634)	4,118,092,895	(10,177,977,414)
Segment results	₱6,086,328,427	₱3,007,756,314	₱49,663,187	₱-	9,143,747,928
Unallocated segment expenses					(13,771,682)
Unallocated interest income					260,462,624
Unallocated interest expense					(2,878,988,118)
Unallocated other income - net					2,183,365,346
Unallocated income taxes					(1,111,921,794)
Net income					₱7,582,894,304

	Electricity	Steam	All Others	Eliminations	Total
Period Ended September 30, 2009:					
Segment revenue from external customers	₱11,558,222,353	₱3,292,250,991	₱1,136,213,847	₱-	₱15,986,687,191
Intersegment revenue	-	-	-	-	-
Total segment revenue*	11,558,222,353	3,292,250,991	1,136,213,847	-	15,986,687,191
Segment expenses	(6,051,995,203)	(2,323,499,199)	(1,043,385,365)	-	(9,418,879,767)
Segment results	₱5,506,227,150	₱968,751,792	₱92,828,482	₱-	6,567,807,424
Unallocated segment expenses					(48,226,356)
Unallocated interest income					305,132,477
Unallocated interest expense					(2,063,641,356)
Unallocated other charges - net					(16,294,791)
Unallocated income taxes					(3,355,875,397)
Net income					₱1,388,902,001

*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 Others	Eliminations	Total
As of and for the period ended September 30, 2010:					
Segment assets	₱54,154,486,219	₱7,795,041,697	₱1,408,618,989	₱-	₱63,358,146,905
Unallocated corporate assets					19,372,346,637
Total assets					₱82,730,493,542
Segment liabilities	₱23,332,481,465	₱10,681,574,187	₱1,198,560,094	₱-	₱35,212,615,746
Unallocated corporate liabilities					12,093,870,326
Total liabilities					₱47,306,486,072
Capital expenditure	₱3,594,010,282	₱923,526,241	₱93,812,089	₱-	₱4,611,348,612
Unallocated capital expenditure					86,317,364
Total capital expenditure					₱4,697,665,976
Depreciation and amortization	(₱2,336,882,996)	(₱191,345,368)	(₱14,875,464)	₱-	(₱2,543,103,828)
Unallocated depreciation and amortization					(16,953)
Total depreciation and amortization					(₱2,543,120,781)
Other non-cash items	₱1,522,993,026	(₱111,285,220)	(₱7,777,659)	₱-	₱1,403,930,147
Unallocated non-cash items					215,398,695
Total other non-cash items					₱1,619,328,842

	Electricity	Steam	All Others	Eliminations	Total
As of and for the year ended					
December 31, 2009 (Restated):					
Segment assets	₱59,291,217,321	₱1,027,087,909	₱3,899,590,505	₱-	₱64,217,895,735
Unallocated corporate assets					20,545,715,486
Total assets					₱84,763,611,221
Segment liabilities	₱19,252,234,997	₱8,337,130,134	₱320,677,055	₱-	₱27,910,042,186
Unallocated corporate liabilities					26,533,033,535
Total liabilities					₱54,443,075,721
Capital expenditure	₱8,321,548,001	₱793,544,660	₱1,279,879,950	₱-	₱10,394,972,611
Unallocated capital expenditure					107,852,469
Total capital expenditure					₱10,502,825,080
Depreciation and amortization	(₱1,092,040,155)	(₱64,668,917)	(₱54,667,201)	-	(₱1,211,376,273)
Unallocated depreciation and amortization					(36,117)
Total depreciation and amortization					(₱1,211,412,390)
Unallocated impairment loss	-	-	-	-	₱349,000,000
Other non-cash items	(₱203,241,825)	(₱272,667,303)	(₱36,782,689)	₱-	(₱512,691,817)
Unallocated non-cash items					217,148,644
Total other non-cash items					(₱295,543,173)
	Electricity	Steam	All Others	Eliminations	Total
As of and for the period ended					
September 30, 2009:					
Segment assets	₱59,133,058,415	₱561,917,591	₱1,196,596,869	₱-	₱60,891,572,875
Unallocated corporate assets					12,267,229,565
Total assets					₱73,158,802,440
Segment liabilities	(₱19,573,260,669)	(₱8,827,852,963)	(₱157,930,910)	₱-	(₱28,559,044,542)
Unallocated corporate liabilities					(16,243,097,871)
Total liabilities					(₱44,802,142,413)
Capital expenditure	₱778,096,768	₱6,911,679	₱262,189,979	₱-	₱1,047,198,426
Unallocated capital expenditure					28,594,629
Total capital expenditure					₱1,075,793,055
Depreciation and amortization	(₱485,531,800)	(₱37,831,467)	(₱49,604,337)	₱-	(₱572,967,604)
Unallocated depreciation and amortization					(25,491)
Total depreciation and amortization					(₱572,993,095)
Other non-cash items	(₱157,049,900)	(₱157,304,757)	(₱16,087,917)	₱-	(₱330,442,574)
Unallocated non-cash items					(2,844,136)
Total other non-cash items					(₱333,286,710)

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:

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)	September 30, 2009 (Unaudited)
Cash on hand and in banks	₱526,137,022	₱259,974,540	₱1,806,817,958
Cash equivalents	6,556,223,561	10,960,922,617	10,008,741,630
	₱7,082,360,583	₱11,220,897,157	₱11,815,559,588

Cash in banks earn 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:

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)	September 30, 2009 (Unaudited)
Trade (Note 24)	₱3,397,428,637	₱5,316,014,965	₱3,278,443,277
Others:			
Loans and notes receivables	62,585,956	67,573,603	62,566,368
Non-trade accounts receivable	57,979,037	77,268,776	59,112,261
Advances to employees	31,840,941	20,826,816	31,024,431
Employee receivables	13,001,870	14,998,506	34,463,343
Claims receivable	196,710	161,218	158,015
Total other receivables	165,604,514	180,828,919	187,324,418
	3,563,033,151	5,496,843,884	3,465,767,695
Less allowance for doubtful accounts	21,987,114	9,597,882	12,685,368
	₱3,541,046,037	₱5,487,246,002	₱3,453,082,327

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.

The rollforward analysis of allowance for doubtful accounts, which pertains to trade receivables, is presented below:

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)	September 30, 2009 (Unaudited)
Balance at beginning of period	₱9,597,882	₱11,780,063	₱11,780,063
Provision for doubtful accounts (Note 19)	12,389,232	-	-

(Forward)

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)	September 30, 2009 (Unaudited)
Recoveries	P-	(P2,182,181)	P-
Adjustments	-	-	905,305
Balance at end of period	P21,987,114	P9,597,882	P12,685,368
Specific impairment	P21,987,114	P9,597,882	P12,685,368

7. Parts and Supplies Inventories

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited, Restated, Note 37)	September 30, 2009 (Unaudited)
On hand:			
Power plant spares	P765,429,197	P774,645,879	P305,949,724
Drilling tubular products and equipment spares	731,210,579	632,635,671	672,013,804
Pump, production/steam gathering system, steam turbine, valves and valve spares	269,345,493	145,216,747	217,379,849
Chemical, chemical products, gases and catalyst	161,130,293	129,029,458	140,883,068
Heavy equipment spares	55,834,948	54,416,254	51,032,082
Electrical, cable, wire product and compressor spares	54,848,284	41,117,775	43,045,649
Measuring instruments, indicators and tools, safety equipment and supplies	33,966,634	34,303,528	31,140,159
Automotive, mechanical, bearing, seals, v-belt, gasket, tires and batteries	31,788,547	22,592,966	20,159,919
Construction and hardware supplies, stationeries and office supplies, hoses, communication and other spares and supplies	18,438,822	11,411,417	5,176,043
	2,121,992,797	1,845,369,695	1,486,780,297
In transit	204,177,050	101,509,955	32,169,437
	P2,326,169,847	P1,946,879,650	P1,518,949,734

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

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 Parent 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 ₱124.00 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 ₱35.5 million for the excess of the cost of the building over its selling price and the related documentary stamp and other taxes paid (see Note 23).

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

Please refer to page 11.

9. Property, Plant and Equipment

September 30, 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
Cost											
Balance at January 1, 2010, as previously reported	₱35,191,229,893	₱14,407,980,612	₱4,538,078,209	₱3,652,656,063	₱77,778,578	₱418,525,551	₱420,446,221	₱333,082,705	₱86,852,124	₱3,449,685,161	₱62,576,315,117
Purchase price allocation adjustment (Note 37)	(2,371,304,218)	–	(260,474,935)	(36,829,233)	137,700	3,594,776	(219,017,417)	–	–	–	(2,883,893,327)
Balance at January 1, 2010, as restated	32,819,925,675	14,407,980,612	4,277,603,274	3,615,826,830	77,916,278	422,120,327	201,428,804	333,082,705	86,852,124	3,449,685,161	59,692,421,790
Acquisition through business combination (Note 37)	–	–	–	–	–	–	–	–	–	1,279,725,000	1,279,725,000
Additions	120,898,606	–	46,376,553	172,445,456	10,833,477	54,916,607	36,788,562	6,371,309	2,777,920	2,966,532,486	3,417,940,976
Retirements/Write-off	–	–	(1,083,804)	(12,921,846)	(11,054,783)	(11,983,957)	(4,769,512)	–	1,788,655	–	(40,025,247)
Reclassifications	4,151,503,201	959,376,890	(2,489,827,169)	(41,914,205)	(2,915,952)	2,439,478	206,846,825	–	(2,796,407)	(2,809,276,562)	(26,563,901)
Balance at September 30, 2010	37,092,327,482	15,367,357,502	1,833,068,854	3,733,436,235	74,779,020	467,492,455	440,294,679	339,454,014	88,622,292	4,886,666,085	64,323,498,618
Accumulated Depreciation and Impairment											
Balance at January 1, 2010, as previously reported	429,218,860	326,670,521	601,372,567	1,046,773,307	56,213,112	178,822,767	60,057,192	–	–	–	2,699,128,326
Purchase price allocation adjustment (Note 37)	24,679,917	–	(4,105,168)	(1,958,690)	7,650	206,003	(6,244,929)	–	–	–	12,584,783
Balance at January 1, 2010, as restated	453,898,777	326,670,521	597,267,399	1,044,814,617	56,220,762	179,028,770	53,812,263	–	–	–	2,711,713,109
Depreciation for the period	1,645,170,818	460,875,520	73,727,127	208,450,736	4,574,071	48,477,566	29,701,576	–	–	–	2,470,977,414
Retirements/Write-off	–	–	(196,882)	(12,379,973)	(11,054,768)	(9,593,632)	(4,769,478)	–	–	–	(37,994,733)
Reclassifications	373,635,711	–	(382,000,996)	115,621,531	174,189	508,153	(112,705)	–	–	–	107,825,883
Balance at September 30, 2010	2,472,705,306	787,546,041	288,796,648	1,356,506,911	49,914,254	218,420,857	78,631,656	–	–	–	5,252,521,673
Net Book Value	₱34,619,622,176	₱14,579,811,461	₱1,544,272,206	₱2,376,929,324	₱24,864,766	₱249,071,598	₱361,663,023	₱339,454,014	₱88,622,292	₱4,886,666,085	₱59,070,976,945
December 31, 2009 (Audited, Restated, Note 37)											
	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
Acquisition through business combination (Note 37)	6,784,860,175	–	54,487,003	107,298,526	137,700	3,639,776	10,945,660	–	–	320,120,490	7,281,489,330
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	32,819,925,675	14,407,980,612	4,277,603,274	3,615,826,830	77,916,278	422,120,327	201,428,804	333,082,705	86,852,124	3,449,685,161	59,692,421,790
Accumulated Depreciation and Impairment											
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 period	332,031,372	99,537,926	203,279,096	201,549,629	7,589,441	27,944,914	8,373,886	–	–	–	880,306,264
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	453,898,777	326,670,521	597,267,399	1,044,814,617	56,220,762	179,028,770	53,812,263	–	–	–	2,711,713,109
Net Book Value	₱32,366,026,898	₱14,081,310,091	₱3,680,335,875	₱2,571,012,213	₱21,695,516	₱243,091,557	₱147,616,541	₱333,082,705	₱86,852,124	₱3,449,685,161	₱56,980,708,681

September 30, 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	-	-	10,199,183	460,318,953	1,805,239	11,697,287	8,974,935	268,683	44,371,414	538,157,361	1,075,793,055
Retirements	-	-	-	(1,409,209)	(3,927,300)	(3,481,552)	-	-	20,271	-	(8,797,790)
Balance at September 30, 2009	-	-	3,866,862,218	1,657,313,328	70,722,468	216,247,722	67,875,086	333,065,706	65,480,079	1,611,878,792	7,889,445,399
Accumulated Depreciation											
Balance at January 1, 2009	-	-	444,527,765	856,086,805	51,248,444	145,019,664	45,417,915	-	-	-	1,542,300,593
Depreciation for the period	-	-	146,380,975	118,977,145	5,697,506	14,704,246	3,666,383	-	-	-	289,426,255
Retirements	-	-	-	(1,404,705)	(3,927,292)	(3,407,603)	-	-	-	-	(8,739,600)
Reclassifications	-	-	-	1,372,152	1,105,237	-	-	-	-	-	2,477,389
Balance at September 30, 2009	-	-	590,908,740	975,031,397	54,123,895	156,316,307	49,084,298	-	-	-	1,825,464,637
Net Book Value	₱-	₱-	₱3,275,953,478	₱682,281,931	₱16,598,573	₱59,931,415	₱18,790,788	₱333,065,706	₱65,480,079	₱1,611,878,792	₱6,063,980,762

The Company has engaged third party experts to perform parallel independent assessments of the Northern Negros steam resource development plan and long-term viability and sustainability of the Northern Negros Geothermal Project's steam field. The studies are expected to be completed in the 4th quarter of 2010.

In September 2010, the appraisal reports for Palinpinon and Tongonan power plants were finalized. The allocation of the acquisition cost of these plants to the identifiable net assets acquired was then completed. This resulted in the reclassification of portions of the cost of property, plant and equipment, where the entire acquisition cost was previously allocated, to parts and supplies inventories (₱393.1 million), deferred tax assets (₱249.1 million) and goodwill (₱2,241.7 million). See further discussion in Note 37.

Details of depreciation and amortization charges are shown below:

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited, Restated, Note 37)	September 30, 2009 (Unaudited)
Property, plant and equipment	₱2,470,977,414	₱880,306,264	₱289,426,255
Intangible assets (see Note 10)	72,143,367	331,106,126	283,566,840
	₱2,543,120,781	₱1,211,412,390	₱572,993,095
Operations and maintenance	₱2,397,789,303	₱1,162,079,964	₱473,797,767
General and administrative	145,331,478	49,332,426	99,195,328
	₱2,543,120,781	₱1,211,412,390	₱572,993,095

Total depreciation cost amounting to ₱106.2 million is capitalized under Construction in-Progress which relates to ongoing drilling of wells as of September 30, 2010.

10. Intangible Assets

September 30, 2010 (Unaudited)				
	Intangible Assets Arising from Service Concessions	Water Rights	Goodwill	Total
Cost				
Balance at January 1, 2010, as previously reported	P- P2,404,778,918	P293,316,082	P2,698,095,000	P2,698,095,000
Purchase price allocation adjustment (Note 37)		2,241,735,448	2,241,735,448	2,241,735,448
Balance at January 1, 2010, as restated and September 30, 2010	-	2,404,778,918	2,535,051,530	4,939,830,448
Accumulated Amortization				
Balance at January 1, 2010	-	300,597,365	-	300,597,365
Amortization	-	72,143,367	-	72,143,367
Balance at September 30, 2010	-	372,740,732	-	372,740,732
Net Book Value	P- P2,032,038,186	P2,535,051,530	P4,567,089,716	P4,567,089,716
December 31, 2009 (Audited, Restated, Note 37)				
	Intangible Assets Arising from Service Concessions	Water Rights	Goodwill	Total
Cost				
Balance at January 1, 2009	P9,835,385,122	P2,404,778,918	P293,316,082	P12,533,480,122
Additions	541,458,209	-	2,241,735,448	2,783,193,657
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	2,535,051,530	4,939,830,448
Accumulated Amortization				
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
Net Book Value	P- P2,104,181,553	P2,535,051,530	P4,639,233,083	P4,639,233,083
September 30, 2009 (Unaudited)				
	Intangible Assets Arising from Service Concessions	Water Rights	Goodwill	Total
Cost				
Balance at January 1, 2009	P9,835,385,122	P2,404,778,918	P293,316,082	P12,533,480,122
Additions	521,807,837	-	-	521,807,837
Balance at September 30, 2009	10,357,192,959	2,404,778,918	293,316,082	13,055,287,959
Accumulated Amortization				
Balance at January 1, 2009	446,192,031	204,406,208	-	650,598,239
Amortization	211,423,472	72,143,368	-	283,566,840
Balance at September 30, 2009	657,615,503	276,549,576	-	934,165,079
Net Book Value	P9,699,577,456	P2,128,229,342	P293,316,082	P12,121,122,880

The Company performs impairment review on goodwill, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. As of September 30, 2010, December 31, 2009 and September 30, 2009 there were no impairment indicators that would warrant an interim or annual impairment assessment.

11. Other Noncurrent Assets

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)	September 30, 2009 (Unaudited)
Tax credit certificates (Note 35)	₱1,338,884,446	₱–	₱–
Input VAT	1,017,023,070	657,733,453	315,633,320
Long-term receivables	548,319,371	2,444,082,251	2,349,308,721
Special deposits and funds	101,035,896	48,361,874	38,981,231
Prepaid expenses	22,618,741	58,530,604	119,878,799
Others	53,131,280	101,340,545	66,344,796
	3,081,012,804	3,310,048,727	2,890,146,867
Less allowance for doubtful accounts	64,599,027	1,954,488,539	2,056,891,475
	₱3,016,413,777	₱1,355,560,188	₱833,255,392

Long-term receivables

The composition of long-term receivables is as follows:

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)	September 30, 2009 (Unaudited)
Input VAT claims for refund	₱513,785,638	₱2,408,505,632	₱2,319,401,701
NPC accounts and other receivables	34,533,733	35,576,619	29,907,020
	₱548,319,371	₱2,444,082,251	₱2,349,308,721

The rollforward analysis of the allowance for doubtful accounts pertaining to long-term receivables is presented below.

	September 30, 2010 (Unaudited)			
	Input VAT Claims for			
	NPC	Refund	Others	Total
Balance at beginning of period	₱3,087,482	₱1,918,911,920	₱32,489,137	₱1,954,488,539
Write-off of uncollectible accounts	(3,087,482)	(251,602,191)	(1,145,875)	(255,835,548)
Provision for doubtful accounts (Note 19)	–	1,641,109	3,190,471	4,831,580
Recoveries (Note 23)	–	(1,638,885,544)	–	(1,638,885,544)
Balance at end of period	₱–	₱30,065,294	₱34,533,733	₱64,599,027
Specific impairment	₱–	₱30,065,294	₱–	₱30,065,294
Collective impairment	–	–	34,533,733	34,533,733
Total	₱–	₱30,065,294	₱34,533,733	₱64,599,027

December 31, 2009 (Audited)				
	Input VAT Claims for			
	NPC	Refund	Others	Total
Balance at beginning of period	P3,500,052	P1,894,719,994	P62,803,527	P1,961,023,573
Write-off of uncollectible accounts	-	-	(30,499,721)	(30,499,721)
Provision for doubtful accounts	-	24,191,926	185,331	24,377,257
Recoveries	(412,570)	-	-	(412,570)
Balance at end of period	P3,087,482	P1,918,911,920	P32,489,137	P1,954,488,539
Specific impairment	P3,087,482	P1,918,911,920	P-	P1,921,999,402
Collective impairment	-	-	32,489,137	32,489,137
Total	P3,087,482	P1,918,911,920	P32,489,137	P1,954,488,539
September 30, 2009 (Unaudited)				
	Input VAT Claims for			
	NPC	Refund	Others	Total
Balance at beginning of period	P3,500,052	P1,894,719,994	P62,803,527	P1,961,023,573
Provision for doubtful accounts (Note 19)	-	96,773,207	-	96,773,207
Adjustments	(3,500,052)	-	2,594,747	(905,305)
Balance at end of period	P-	P1,991,493,201	P65,398,274	P2,056,891,475
Specific impairment	P-	P1,991,493,201	P-	P1,991,493,201
Collective impairment	-	-	65,398,274	65,398,274
Total	P-	P1,991,493,201	P65,398,274	P2,056,891,475

The P1,338.9 million tax credit certificates shall be utilized over a period of four (4) years starting 2012 to 2015 with a cap of P300.0 million per year, except on 2015 where the remaining balance will be fully applied.

12. Trade and Other Payables

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)	September 30, 2009 (Unaudited)
Accounts payable - trade	P2,267,940,511	P2,832,923,865	P1,859,529,660
Accrued interest and guarantee fees	1,225,136,610	923,147,531	901,665,988
Withholding and other taxes payable	109,231,107	194,692,777	50,967,971
Deferred credits	12,696,299	15,012,705	18,907,713
SSS and other contributions payable	3,091,581	8,768,580	168,088
Other payables	131,934,569	10,507,987	99,300,449
	P3,750,030,677	P3,985,053,445	P2,930,539,869

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.

13. Royalty Fee Payable

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)	September 30, 2009 (Unaudited)
Due to DOE and LGU	₱629,484,504	₱811,004,709	₱817,194,809
Less current portion	247,327,173	244,306,963	209,314,859
Noncurrent portion	₱382,157,331	₱566,697,746	₱607,879,950

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. The Parent Company was officially registered as an RE developer with the final conversion of its five (5) GSCs into GRESCs with the signing of the final agreements on October 23, 2009.

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.

14. Long-term Debts

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)	September 30, 2009 (Unaudited)
Total Philippine Peso-denominated debts	₱29,066,040,836	₱24,745,709,368	₱12,921,330,149
Total US Dollar-denominated debts	7,412,286,067	4,929,853,232	5,789,083,098
Total Japanese Yen-denominated debts	4,819,360,395	17,788,935,791	18,764,176,572
	41,297,687,298	47,464,498,391	37,474,589,819
Less current portion	1,555,374,771	16,930,776,636	14,738,416,797
Noncurrent portion	₱39,742,312,527	₱30,533,721,755	₱22,736,173,022

In May 2010, the Parent Company fully settled the PNOC on-lent loans of ₱4,212.2 million.

On May 7, 2010, EDC's subsidiary, FG Hydro, secured a 10-year ₱5,000.0 million Peso loan with the Philippine National Bank and Allied Bank having semi-annual payment terms. The loan carries an interest of 9.025% subject to re-pricing after 5 years. Part of the proceeds was used to refinance Power Sector Assets and Liabilities Management (PSALM)'s staple financing of ₱2,299.0 million on FG Hydro acquisition of Pantabangan Hydro Electric Plant – Masiway Hydro Electric Plant (PAHEP-MAHEP) in 2007.

In June 2010, the Parent Company signed a 3-year US\$175.0 million (₱8,058.7 million) syndicated term loan facility with Australia and New Zealand Banking Group Limited (ANZ) Manila Branch, Credit Agricole Corporate and Investment Bank, and Standard Chartered Bank as

Mandated Lead Arrangers and Bookrunners. The loan carries an interest of LIBOR plus a margin of 325 basis points.

On June 24, 2010, the Parent Company fully settled its JPY22.0 billion Miyazawa II debt (₱11,043.7 million).

The Company has been compliant to the covenants of its existing loans as of September 30, 2010, December 31, 2009 and September 30, 2009.

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 and annual audited consolidated statements of financial positions (USD1=JPY83.661: USD1=PHP43.880 on September 30, 2010, USD1=JPY91.634: USD1=PHP46.200 on December 31, 2009 and USD1=JPY90.106: USD1=PHP47.390 on September 30, 2009).

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 Build-Operate-Transfer (BOT) scheme under the Energy Conversion Agreement between the Parent Company and Marubeni. The turnover accounted for the drop of BOT fees in 2010 as shown in Note 17.

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 693 common stockholders and one preferred stockholder as of September 30, 2010, 662 common stockholders and one preferred stockholder as of December 31, 2009 and 653 common stockholders and one preferred stockholder as of September 30, 2009.

The movements of common and preferred shares are as follows:

	Number of Shares		
	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)	September 30, 2009 (Unaudited)
Preferred stock - ₱0.01 par value per share			
Authorized	15,000,000,000	15,000,000,000	7,500,000,000
Issued and outstanding:			
Balance at beginning of period	9,375,000,000	7,500,000,000	7,500,000,000
Additional subscriptions	–	1,875,000,000	–
Balance at end of period	9,375,000,000	9,375,000,000	7,500,000,000

	Number of Shares		
	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)	September 30, 2009 (Unaudited)
Common stock - ₱1 par value per share			
Authorized	30,000,000,000	30,000,000,000	15,000,000,000
Issued:			
Balance at beginning of period	18,750,000,000	15,000,000,000	15,000,000,000
Stock dividends - 25%	–	3,750,000,000	–
Balance at end of period	18,750,000,000	18,750,000,000	15,000,000,000
Outstanding:			
Balance at beginning of period	18,750,000,000	14,907,000,000	15,000,000,000
Stock dividends - 25%	–	3,750,000,000	–
Issuances	–	93,000,000	–
Common shares held in treasury	–	–	(93,000,000)
Balance at end of period	18,750,000,000	18,750,000,000	14,907,000,000

17. Purchased Services and Utilities

	September 30, 2010 (Unaudited)	September 30, 2009 (Unaudited)
Professional and technical services	₱698,750,149	₱735,823,895
Purchased services	266,725,748	209,308,981
Hauling and handling costs	147,719,806	126,061,129
Contractual personnel costs	83,508,571	59,603,910
Purchased utilities	59,779,172	20,553,707
Rig mobilization charges	50,514,652	33,771,538
BOT fees (Note 15)	–	183,224,477
Others	9,167,019	7,071,024
	₱1,316,165,117	₱1,375,418,661

18. Operations and Maintenance Expenses

	September 30, 2010 (Unaudited)	September 30, 2009 (Unaudited)
Personnel costs	₱1,235,500,314	₱1,161,046,861
Repairs and maintenance	995,270,792	1,662,391,440
Rental, insurance and taxes	609,026,159	636,407,722
Materials and supplies issued	543,168,605	851,759,737
Royalty fees	181,347,968	139,785,422
Proceeds from insurance claims	(129,005,463)	–
Business and related expenses	98,898,197	13,934,490
Reversal of impairment of parts and supplies inventories	(83,600)	–
	₱3,534,122,972	₱4,465,325,672

19. General and Administrative Expenses

	September 30, 2010 (Unaudited)	September 30, 2009 (Unaudited)
Personnel costs	₱909,512,360	₱672,325,680
Purchased services and utilities	816,582,532	608,265,432
Rental, insurance and taxes	762,436,648	632,973,007
Business and related expenses	134,639,154	271,110,526
Materials and supplies issued	119,512,245	126,112,095
Repairs and maintenance	55,528,692	76,220,621
Provision for doubtful accounts	17,220,812	96,773,207
Provision for (reversal of) impairment of parts and supplies inventories	(17,092,217)	119,753,786
	₱2,798,340,226	₱2,603,534,354

20. Foreign Exchange Gains (Losses)

	September 30, 2010 (Unaudited)	September 30, 2009 (Unaudited)
Foreign exchange gains (losses) on long-term debts	₱168,349,851	₱212,170,663
Foreign exchange losses on other accounts	(63,722,369)	(15,079,088)
	₱104,627,482	₱197,091,575

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 reporting dates:

Currency	September 30, 2010	Equivalent to US\$1.00	
		December 31, 2009	September 30, 2009
Japanese Yen	83.661	91.634	90.106
Philippine Peso	43.880	46.200	47.390

21. Interest Expense

	September 30, 2010 (Unaudited)	September 30, 2009 (Unaudited)
Interest on long-term debts including amortization of transaction costs	₱2,811,832,572	₱1,764,811,759
Interest accretion of "Day 1" gain on royalty fee payable	45,229,380	54,003,762
Interest on liability from litigations	5,840,854	120,362,037
Interest on loan payable and others	16,085,312	124,463,798
	₱2,878,988,118	₱2,063,641,356

22. Interest Income

	September 30, 2010 (Unaudited)	September 30, 2009 (Unaudited)
Interest on placements	P233,064,773	P244,118,525
Interest on overdue accounts and others	20,494,760	2,340,056
Accretion of "day 1 loss" on NPC receivables	6,007,914	57,877,183
Interest on savings/current accounts	895,177	796,713
	P260,462,624	P305,132,477

23. Miscellaneous Income (Charges) - Net

	September 30, 2010 (Unaudited)	September 30, 2009 (Unaudited)
Recovery of impairment allowance on input VAT claims	P1,638,885,544	P-
Loss on retirement of parts and supplies inventories	(3,748,139)	-
Input VAT write-off	-	(178,639,119)
"Day 1" gain on royalty fee payable	-	168,284,986
Write-down of exploration and evaluation assets	-	(77,622,605)
Receipt of inventories from power plant contractor	-	53,992,600
BOT contractors' penalty charges	-	38,008,000
Loss on sale of noncurrent assets held for sale	-	(35,537,500)
Waste disposal fees	-	11,593,444
Others	6,367,740	(8,312,226)
	P1,641,505,145	(P28,232,420)

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 P2,894.93 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	P500.00 million	30 days from submission of JMU to the Office of the Voluntary Arbitrator	July 15, 2008
Second	500.00 million	60 days from submission of JMU to the Office of the Voluntary Arbitrator	July 15, 2008
Third	1,000.00 million	January 2009	February 2, 2009
Fourth	894.93 million	January 2010	August 2010
	P2,894.93 million		

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 included in trade receivables as of December 31, 2009 million was settled in August 2010 (see Note 6).

25. Earnings Per Share (EPS)

The EPS amounts were computed as follows:

	September 30, 2010 (Unaudited)	September 30, 2009 (Unaudited)
(a) Net income attributable to equity holders of the Parent Company	₱7,126,484,001	₱1,272,818,017
Less dividends on preferred shares	7,500,000	6,000,000
(b) Net income attributable to common shareholders of the Parent Company	₱7,118,984,001	₱1,266,818,017
(c) Weighted average numbers of common shares	18,750,000,000	18,657,000
Basic/diluted EPS (b/c)	₱0.380	₱0.068

The Company does not have dilutive common stock equivalents.

26. Income Tax

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

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited, Restated, Note 37)	September 30, 2009 (Unaudited)
Deferred tax assets - net	₱486,736,974	₱1,209,613,615	₱1,121,396,467
Deferred tax liabilities - net	-	(17,340,023)	(11,889,778)
	₱486,736,974	₱1,192,273,592	₱1,109,506,689

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

Deferred Tax Assets

	Foreign Exchange Losses (Gains) BOT Power Plants	Unrealized Foreign Exchange Losses (Gains)	Allowance For Doubtful Accounts	IFRIC 12 Adjustments	Others	Total
At January 1, 2010, as previously reported	₱1,229,428,727	₱477,420,442	₱198,560,823	₱-	₱244,749,740	₱2,150,159,732
Purchase price allocation adjustment	—	—	—	—	250,340,194	250,340,194
At January 1, 2010, as restated	1,229,428,727	477,420,442	198,560,823	—	495,089,934	2,400,499,926
Charged to income for the period	(78,990,555)	(477,420,442)	(187,725,898)	—	29,174,182	(714,962,713)
Charged to equity	—	—	—	—	(70,000)	(70,000)
At September 30, 2010	₱1,150,438,172	₱-	₱10,834,925	₱-	₱524,194,116	₱1,685,467,213

	Foreign Exchange Losses (Gains) BOT Power Plants	Unrealized Foreign Exchange Losses (Gains)	Allowance For Doubtful Accounts	IFRIC 12 Adjustments	Others	Total
At January 1, 2009	₱4,003,828,394	₱2,551,134,895	₱588,823,244	₱13,722,968,794	₱546,505,975	₱21,413,261,302
Effect of RE Law	(2,651,696,048)	(1,687,654,297)	(394,591,773)	(10,355,359,669)	(346,865,652)	(15,436,167,439)
Charged to equity	—	—	—	—	180,833	180,833
Purchase price allocation adjustment (Note 37)	—	—	—	—	249,081,716	249,081,716
Charged to income for the year (restated)	(122,703,619)	(386,060,156)	4,329,352	(3,367,609,125)	46,187,062	(3,825,856,486)
At December 31, 2009 (restated)	₱1,229,428,727	₱477,420,442	₱198,560,823	₱-	₱495,089,934	₱2,400,499,926

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

Deferred Tax Liabilities

	IFRIC 12 Adjustments	Unrealized Foreign Exchange Gains	Others	Total
At January 1, 2010	(₱1,152,912,850)	₱-	(₱55,313,484)	(₱1,208,226,334)
Charged to income for the period	22,128,635	(34,445,100)	21,812,560	9,496,095
At September 30, 2010	(₱1,130,784,215)	(₱34,445,100)	(₱33,500,924)	(₱1,198,730,239)

	Deductible Expenses Under PD 1442	IFRIC 12 Adjustments	Others	Total
At January 1, 2009	(₱3,681,358,648)	(₱13,225,388,187)	(₱1,107,416,502)	(₱18,014,163,337)
Effect of RE Law	3,513,256,437	8,789,688,420	174,009,581	12,476,954,438
Charged to income for the year	168,102,211	3,282,786,917	878,093,437	4,328,982,565
At December 31, 2009	₱-	(₱1,152,912,850)	(₱55,313,484)	(₱1,208,226,334)

	Deductible expenses per PD 1442	IFRIC 12 Adjustments	Others	Total
At January 1, 2009	(₱3,681,358,648)	(₱13,225,388,187)	(₱1,107,416,502)	(₱18,014,163,337)
Effect of RE Law	3,513,256,437	8,789,688,420	174,009,581	12,476,954,438
Charge to income for the period	168,102,211	149,803,708	758,320,966	1,076,226,885
At September 30, 2009	₱-	(₱4,285,896,059)	(₱175,085,955)	(₱4,460,982,014)

The following tables summarize the Company's deferred tax assets and liabilities:

	Deferred Tax Assets	Deferred Tax Liabilities	Total
At January 1, 2010, as previously reported	₱2,150,159,732	(₱1,208,226,334)	₱941,933,398
Purchase price allocation adjustment	250,340,194	–	₱250,340,194
At January 1, 2010, as restated	2,400,499,926	(1,208,226,334)	1,192,273,592
Charged to income for the period	(715,032,713)	9,496,095	(705,536,618)
At September 30, 2010	₱1,685,467,213	(₱1,198,730,239)	₱486,736,974

	Deferred Tax Assets	Deferred Tax Liabilities	Total
At January 1, 2009	₱21,413,261,302	(₱18,014,163,337)	₱3,399,097,965
Effect of RE Law	(15,436,167,439)	12,476,954,438	(2,959,213,001)
Charged to equity	180,833	–	180,833
Purchase price allocation adjustment (Note 37)	249,081,716	–	249,081,716
Charged to income for the year (restated)	(3,825,856,486)	4,328,982,565	503,126,079
At December 31, 2009 (restated)	₱2,400,499,926	(₱1,208,226,334)	₱1,192,273,592

	Deferred Tax Assets	Deferred Tax Liability	Net Deferred Tax Assets
At January 1, 2009	₱21,413,261,302	(₱18,014,163,337)	₱3,399,097,965
Effect of RE Law	(15,436,133,638)	12,476,954,438	(2,959,179,200)
Charge to income for the period	(406,638,961)	1,076,226,885	669,587,924
At September 30, 2009	₱5,570,488,703	(₱4,460,982,014)	₱1,109,506,689

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

	September 30, 2010 (Unaudited)	September 30, 2009 (Unaudited)
Accounting income	₱8,694,816,098	₱4,744,777,398
Income tax at statutory tax rate	(1,128,494,817)	(533,205,392)
Written-off deferred tax asset on unrecovered amortized foreign exchange loss	(340,429,747)	–
Deductible temporary differences	(51,825,071)	(3,071,443)
Tax effect of non-deductible interest expense	(25,989,022)	(29,043,387)
Nondeductible expenses	(23,115,487)	(44,868,774)

(forward)

	September 30, 2010 (Unaudited)	September 30, 2009 (Unaudited)
Adjustment of deferred tax liability on assets affected by scope-out of IFRIC 12	(14,552,630)	—
Income tax holiday (ITH) incentives	403,073,912	89,337,427
Interest income subjected to final tax - net of final tax	69,376,710	73,552,060
Effect of change in tax rate	4,358	(2,959,179,200)
Income tax on sale of FB land and building (zonal value minus selling price)	—	(255,226,500)
Deferred tax liability (30%) on third and fourth tranches arbitration income	—	311,373,702
Non-deductible foreign contractor's tax - excess	—	(4,416,423)
Non-deductible foreign exchange loss on long-term investments in bonds	—	(532,062)
Others	—	(595,405)
	(P1,111,921,794)	(P3,355,875,397)

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 September 30, 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 P360.0 million for various civil, structural, mechanical and piping works for the LGPF. The advance payment of P54.0 million, 15% of the contract amount, was recorded under "Other current assets" account.

As of September 30, 2010, the Parent Company had an outstanding balance of P15.3 million in "Due to related parties" account which pertained to accrual of progress billings. While as of September 30, 2009, the Parent Company had an outstanding balance of P5.2 million in "Due from related parties" account representing the balance of the advance payment.

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 P8.7 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%. FG Hydro has fully settled its advances including interest in the amount of ₱504.1 million in April to July 2010.

c. International Finance Corporation (IFC)

The Parent Company entered into a loan agreement with the IFC, a shareholder of the Parent 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 September 30, 2010, the outstanding loan amounted to ₱4,032.34 million, net of unamortized transaction cost of ₱67.66 million which is 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 Holdings, parent company of First Gen, is an associate of Lopez Holdings Corporation (formerly Benpres Holdings Corporation).

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

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

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

Following are the amounts of transactions for the periods ended September 30, 2010 and 2009 and outstanding balances as of September 30, 2010 and 2009 and December 31, 2009:

Related Party	Nature of Transaction	Transaction for the nine-month periods ended September 30		Net amount Due from (to) Related Parties	
		2010	2009	September 30, 2010	September 30, 2009
First Gen	Interest-free advances	₱-	₱-	₱-	₱-
First Balfour	Steam augmentation contract in Leyte	-	-	-	5,227,538
		-	-	-	5,314,010

Related Party	Nature of Transaction	Transaction for the nine-month periods ended September 30		Net amount Due from (to) Related Parties		
		2010	2009	September 30, 2010	December 31, 2009	September 30, 2009
First Gen	Full payment of interest-bearing advances	(504,141,759)	106,751,502	–	(504,135,656)	(170,227,352)
	Consultancy fee	129,938,824	74,205,882	(13,882,353)	–	–
	Interest-free advances	3,047,948	2,553,186	(1,238,792)	(2,709,905)	–
First Balfour	Steam augmentation contract and other services	48,292,342	309,264,417	(15,318,873)	(29,438,812)	–
Bauang Private Power Corp.	Interest-free advances	10,421,728	39,011	–	–	(189,297)
	Acquisition of one unit (1) MVA transformer	37,641,428	–	–	–	–
First Gas Holdings Corp.	Interest-free advances	432,350	370,350	(1,006,450)	(574,100)	(452,650)
First Gas Power Corp.	Interest-free advances	4,890	41,979	(54,347)	(150,677)	(41,979)
Bayantel	Purchase services & utilities	4,503,624	–	(3,675,347)	–	–
Sky Cable	Purchase services & utilities	46,200	–	(6,600)	–	–
First Private Power Corp.	Acquisition of one (1) unit 1980 CESSNA 340A	8,000,000	–	–	–	–
Lopez Holdings Corp.	Interest-free advances	58,900	–	–	–	–
E. Lopez Foundation	Interest-free advances	20,000	–	–	–	–
FPRC	Purchase services & utilities	4,127,063	–	–	–	–
Red Vulcan	Payment of interest-free advances	(11,059)	–	–	(11,059)	–
		(257,617,521)	493,226,327	(35,182,762)	(537,020,209)	(170,911,278)
IFC	Interest-bearing loan	5,458,617	4,174,904,806	(4,032,339,196)	(4,026,880,579)	(4,025,095,194)
		(P252,158,904)	P4,668,131,133	(P4,067,521,958)	(P4,563,900,788)	(P4,196,006,472)

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

The Company has not recognized any impairment loss on receivables from related parties as of September 30, 2010 and 2009 and December 31, 2009.

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

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

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

Except for the availments of a three-year US\$175.0 million syndicated term loan and ₱5,000.0 million peso loans, settlements of Miyazawa II, PNOC on-lent loans and deferred payment facility with PSALM as discussed in Note 31, and the full payment of the ₱1.28 billion acquisition cost of Bacman geothermal power plants to PSALM on September 3, 2010, 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.

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 with the exception of the recognition of goodwill, parts and supplies inventories and deferred tax assets for GCGI's acquisition of the Palinpinon and Tongonan power plants from the government. The nature and amount of changes are disclosed in Note 37.

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

On June 28, 2010, the Parent Company settled its JPY22.0 billion Miyazawa II debt.

On June 18, 2010, the Parent Company signed a three-year US\$175.0 million (₱8,058.7 million) syndicated term loan facility with ANZ Manila Branch, Credit Agricole Corporate and Investment Bank, and Standard Chartered Bank as Mandated Lead Arrangers and Bookrunners.

In May 2010, the Parent Company settled the PNOC on-lent loans of ₱4,212.2 million and FG Hydro's ₱2,299.0 million deferred payment facility with PSALM.

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 May 7, 2010, FG Hydro paid cash dividend to the Company's non-controlling interest amounting to ₱240.0 million.

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 September 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.

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

Except for the Parent Company's winning bid for the PSALM's auction of the 150 MW Bacon - Manito Geothermal Power Plants on May 5, 2010 through BGI, a wholly owned subsidiary of FL Geothermal, and the creation of new subsidiaries (refer to Note 1), there are no other material changes in the composition of the registrant during the period.

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

Except for the Parent Company's guarantee to the Chilean government that it will finance, through a standby letter of credit amounting to US\$80 million, EDC Chile Limitada's exploration activities should it be granted concession contracts, there are no material changes in the contingent liabilities or contingent assets since the last annual consolidated statement of financial position date.

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

Except for the recovery of impairment allowance on input VAT claims on account of the receipt ₱1,638.9 million VAT-refund certificates from the BIR (see Note 23), there are no material contingencies and any other events or transactions during the period.

36. Financial Risk Management Objectives and Policies

Company's financial instruments consist mainly of cash and cash equivalents, AFS investments, and long-term debts. 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, foreign currency risk, interest rate risk and liquidity risk. The Company's policies for managing the aforementioned risks are summarized hereinafter below.

Credit and Credit Concentration Risk

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

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

	September 30, 2010	December 31, 2009	September 30, 2009
Loans and receivables:			
Cash and cash equivalents (excludes cash on hand)	₱7,077,760,543	₱11,216,297,117	₱11,810,959,548
Trade receivables	3,375,441,523	5,306,417,083	3,265,757,909
Non-trade receivables	57,979,037	77,268,776	59,112,261
Loans and notes receivables	62,585,956	67,573,603	62,566,368
Employee receivables	31,427,584	14,998,506	38,611,856
Advances to employees	31,840,941	20,826,816	31,024,431
Long-term receivables	-	-	16,773,760
Concession receivables	-	-	33,159,383,136
Due from related parties	-	-	5,314,010
AFS investments:			
Debt investments	724,130,139	734,811,000	750,806,879
Equity investments*	16,924,816	15,388,428	16,018,900
Financial assets at FVPL:			
Derivative assets	236,368	9,611,022	25,412,438
Total	₱11,378,326,907	₱17,463,192,351	₱49,241,741,496

*Included under "others" in other non-current assets.

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

The table below shows the Company's aging analysis of past due but not impaired receivables as of September 30, 2010 and 2009 and December 31, 2009:

September 30, 2010							
Past Due but Not Impaired							
	Neither Past Due nor Impaired	Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Past Due and Impaired	Total
<i>(In Thousand Pesos)</i>							
Loans and receivables:							
Cash and cash equivalents	₱7,082,361	₱-	₱-	₱-	₱-	₱-	₱7,082,361
Trade receivables	2,597,851	578,223	188,523	10,845	-	21,987	3,397,429
Non-trade receivables	43,553	-	3,421	10,986	19	-	57,979
Loans and notes receivables	62,586	-	-	-	-	-	62,586
Employee receivables	31,428	-	-	-	-	-	31,428
Advances to employees	4,139	-	1,574	26,128	-	-	31,841
Long-term receivables	-	-	-	-	-	34,534	34,534
AFS investments:							
Debt investments	724,130	-	-	-	-	-	724,130
Equity investments	16,925	-	-	-	-	-	16,925
Financial assets at FVPL:							
Derivative assets	236	-	-	-	-	-	236
Total	₱10,563,209	₱578,223	₱193,518	₱47,959	₱19	₱56,521	₱11,439,449

December 31, 2009							
Past Due but Not Impaired							
	Neither Past Due nor Impaired	Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Past Due and Impaired	Total
<i>(In Thousand Pesos)</i>							
Loans and receivables:							
Cash and cash equivalents	₱11,220,897	₱-	₱-	₱-	₱-	₱-	₱11,220,897
Trade receivables	5,280,994	-	25,423	-	-	9,598	5,316,015
Non-trade receivables	59,803	5,050	12,223	193	-	-	77,269
Loans and notes receivables	49,196	11	7,009	10,393	965	-	67,574
Employee receivables	14,999	-	-	-	-	-	14,999
Advances to employees	14,722	197	1,130	4,768	10	-	20,827
Long-term receivables	-	-	-	-	-	35,577	35,577
AFS investments:							
Debt investments	734,811	-	-	-	-	-	734,811
Equity investments	15,388	-	-	-	-	-	15,388
Financial assets at FVPL:							
Derivative assets	9,611	-	-	-	-	-	9,611
Total	₱17,400,421	₱5,258	₱45,785	₱15,354	₱975	₱45,175	₱17,512,968

September 30, 2009							
Past Due but Not Impaired							
	Neither Past Due nor Impaired	Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Past Due and Impaired	Total
<i>(In Thousand Pesos)</i>							
Loans and receivables:							
Cash and cash equivalents	₱11,815,560	₱-	₱-	₱-	₱-	₱-	₱11,815,560
Trade receivables	3,265,758	-	-	-	-	12,685	3,278,443
Non-trade receivables	39,003	1,323	18,144	586	56	-	59,112
Loans and notes receivables	58,645	-	9	3,912	-	-	62,566
Employee receivables	38,520	42	50	-	-	-	38,612
Advances to employees	30,469	422	133	-	-	-	31,024
Long-term receivables	-	-	-	3,985	12,789	13,133	29,907
Concession receivable	33,159,383	-	-	-	-	-	33,159,383
Due from related parties	5,314	-	-	-	-	-	5,314
AFS investments:							
Debt investments	750,807	-	-	-	-	-	750,807

September 30, 2009							
Past Due but Not Impaired							
	Neither Past Due nor Impaired	Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Past Due and Impaired	Total
<i>(In Thousand Pesos)</i>							
Equity investments	16,019	-	-	-	-	-	16,019
Financial assets at FVPL:							
Derivative assets	25,412	-	-	-	-	-	25,412
Total	P49,204,890	P1,787	P18,336	P8,483	P12,845	P25,818	P49,272,159

Credit Quality of Neither Past due nor Impaired Financial Assets

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

As of September 30, 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 September 30, 2010 and 2009 and December 31, 2009, there is an assured collection on these accounts, thus no provision for doubtful accounts has been recognized thereof.

Foreign Currency Risk

The Company's exposure to foreign currency risk resulted from the financial assets and liabilities that are denominated in U.S. dollar and Japanese yen. This primarily arises from future payments of foreign loans and other commercial transactions and the Company's investments in marketable securities and Republic of the Philippines (ROP) Bonds.

The Company's exposure to foreign currency risk to some degree is mitigated by some provisions in the Company's GRESCs, 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 the year 2010, the Company entered into derivative contracts with various counterparties which already matured on June 24, 2010 to hedge its various foreign currency denominated loans.

The Company's foreign currency-denominated financial assets and liabilities (translated into Philippine peso) as of September 30, 2010 and 2009 and December 31, 2009, are as follows:

	September 30, 2010			September 30, 2009		
	Original Currency		Peso Equivalent ¹	Original Currency		
	Japanese Yen	US Dollar		Japanese Yen	US Dollar	Peso Equivalent ²
Financial Assets						
Loans and receivables:						
Cash equivalents	-	22,164,555	972,580,673	-	5,471,191	259,279,764
Cash on hand and in banks	-	1,018,159	44,676,817	-	2,161,880	102,451,492
Trade and other receivables	-	4,816,333	211,340,692	-	2,405,251	113,984,846
AFS investments:						
Government debt investments	-	16,502,510	724,130,139	-	15,843,150	750,806,879
Financial assets at FVPL:						

	September 30, 2010			September 30, 2009		
	Original Currency		Peso Equivalent ¹	Original Currency		Peso Equivalent ²
	Japanese Yen	US Dollar		Japanese Yen	US Dollar	
Derivative assets	-	5,387	236,368	-	522,558	24,764,042
Total financial assets	-	44,506,944	1,952,964,689	-	26,404,030	1,251,287,023

Current Financial Liabilities

Liabilities at amortized cost:						
Trade and other payables	1,300,000	18,222,362	800,279,076	533,729,982	9,549,180	733,242,500
Accrued interest and guarantee fees	405,613,489	3,566,203	369,228,305	-	-	-
Current portion of interest-bearing financial liabilities	1,015,379,660	-	532,564,235	23,646,873,926	34,701,764	14,081,261,718
Due to related parties	-	-	-	-	3,592,094	170,229,348
Total current financial liabilities	1,422,293,149	21,788,565	1,702,071,616	24,180,603,908	47,843,038	14,984,733,566

Noncurrent Financial Liabilities

Liabilities at amortized cost:						
Interest-bearing financial liabilities - net of current portion	8,173,146,709	168,921,743	11,699,082,243	12,030,927,326	87,456,562	10,472,065,729
Total financial liabilities	9,595,439,858	190,710,308	13,401,153,859	36,211,531,234	135,299,600	25,456,799,295

¹USD1=JPY83.661 and USD1= P43.880 ²USD1=JPY90.106 and USD1= P47.390

	December 31, 2009		
	Original Currency		Peso Equivalent ¹
	Japanese Yen	US Dollar	
Financial Assets			
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
AFS investments:			
Government debt investments	-	15,905,000	734,811,000
Financial assets at FVPL:			
Derivative assets	-	208,031	9,611,022
Total financial assets	-	59,118,729	2,731,285,273

Current Financial Liabilities

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
Due to related Party	-	10,912,094	504,138,756
Interest on long term loans	500,091,989	3,510,193	414,307,135
Total current financial liabilities	26,812,106,016	83,377,378	17,370,153,674

Noncurrent Financial Liabilities

Liabilities at amortized cost:			
Interest-bearing financial liabilities - net of current portion	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

¹USD1=JPY91.634 and USD1= P46.20 as of December 29, 2009

The following tables demonstrate the sensitivity to a reasonably possible change in the U.S. dollar and Japanese yen exchange rates, with all other variables held constant, of the Company's profit before income tax as at September 30, 2010 and 2009 and December 31, 2009 (arising from revaluation of monetary assets and liabilities and derivative instruments).

	September 30, 2010	
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax
USD	10% or PHP4.388 (10% or PHP4.388)	(P651,421,089) 646,369,305
JPY	10% or PHP0.05828	(559,198,433)

September 30, 2010		
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax
	(10% or PHP0.04768)	457,525,991
EURO ^(a)	10% against USD	5,287,092
	(10% against USD)	(235,308)
December 31, 2009		
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax
USD	10% or PHP4.62	(P293,611,227)
	(10% or PHP4.62)	268,296,414
JPY	10% or PHP0.05602	(2,004,680,577)
	(10% or PHP0.04583)	1,640,193,199
EURO ^(a)	10% against USD	33,122,515
	(10% against USD)	(7,807,701)
September 30, 2009		
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax
USD	10% or PHP4.739	(P500,098,332)
	(10% or PHP4.739)	468,977,253
JPY	10% or PHP0.05844	(2,116,105,803)
	(10% or PHP0.04781)	1,731,359,293
EURO ^(a)	10% against USD	49,555,258
	(10% against USD)	(18,434,179)

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

Equity Price Risk

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

As of September 30, 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 and AFS debt investments are fixed at the inception of the loan agreement.

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

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax and equity as

of September 30, 2010 and 2009 and December 31, 2009. The effect also includes impact of change in interest rates on derivatives.

September 30, 2010			
	Increase/Decrease in Basis Points	Effect on Income Before Income Tax	Effect on Equity
USD	+100	(₱76,768,825)	(₱20,551,930)
	-100	76,770,301	24,564,184
EURO	+100	(20,195)	-
	-100	21,766	-
December 31, 2009			
	Increase/Decrease in Basis Points	Effect on Income Before Income Tax	Effect on Equity
USD	+100	(₱23,935,811)	(₱19,438,385)
	-100	24,897,799	33,746,396
EURO	+100	(574,657)	-
	-100	1,552,248	-
September 30, 2009			
	Increase/Decrease in Basis Points	Effect on Income Before Income Tax	Effect on Equity
PHP	+100	(₱45,888,889)	₱-
	-100	45,888,889	-
US\$	+100	(26,098,273)	(27,134,606)
	-100	26,183,593	29,829,761
EURO	+100	(1,981,780)	-
	-100	4,084,042	-

Interest Rate Risk Table

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

September 30, 2010						
Interest Rates	Within 1 Year	More than 1 Year but less than 4 Years	More than 4 Years but less than 5 Years	More than 5 Years	Total	
Long-term debts						
Fixed Rate:						
OEFC	3%-5.7%	₱13,660	₱18,675	₱5,082	₱22,662	₱60,079
JBIC ^(b) 21 st yen	2.3% / 2.7%	116,392	306,499	87,738	494,545	1,005,174
IFC	7.40%/7.90%	322,362	917,717	237,137	981,520	2,458,736
PNB & Allied	9.025%	454,233	1,189,727	318,069	813,472	2,775,501
FRCN Series 1	8.37%	196,444	320,570	-	-	517,014
FRCN Series 2	9.4%	434,120	985,420	162,244	69,769	1,651,553
FRCN Series 3	8.43%	112,235	183,152	-	-	295,387
Public Bonds Series 1	8.64%	734,553	2,203,659	734,553	-	3,672,765
Public Bonds Series 2	9.33%	326,645	979,934	326,645	489,967	2,123,191
Floating Rate:						

(In Thousand Pesos)

September 30, 2010						
Interest Rates	Within 1 Year	More than 1 Year but less than 4 Years	More than 4 Years but less than 5 Years	More than 5 Years	Total	
USD 175M Syndicated Club Loan	3.25% + Libor	307,126	614,252	–	–	921,378

December 31, 2009						
Interest Rates	Within 1 Year	More than 1 year but less than 4 years	More than 4 Years but less than 5 Years	More than 5 Years	Total	

(In Thousand Pesos)

Long-term debts

Fixed Rate:

OEFC	3%–5.7%	₱60,537	₱16,188	₱10,869	₱24,610	₱112,204
JEXIM ^(a) 3747	3.5%	30,638	–	–	–	30,638
JBIC ^(b) 21st yen	2.3% & 2.7%	118,769	217,173	189,337	559,727	1,085,006
Miyazawa II	2.37%	131,441	–	–	–	131,441
PSALM Loan	12.00%	272,195	352,421	64,096	–	688,712
IFC	7.40% / 7.9%	307,614	609,644	525,472	1,096,559	2,539,289
FRCN Series 1	8.37%	223,804	361,530	166,418	–	751,752
FRCN Series 2	9.4%	454,721	841,998	600,586	237,856	2,135,161
FRCN Series 3	8.43%	108,089	209,169	96,284	–	413,542
Public Bonds						
Series 1	8.64%	734,553	1,469,106	1,469,106	367,277	4,040,042
Series 2	9.33%	326,645	653,289	653,289	653,289	2,286,512
Floating Rate:						
IBRD	7.54%	169,685	–	–	–	169,685

September 30, 2009						
Interest Rates	Within 1 Year	More than 1 Year but less than 4 Years	More than 4 Years but less than 5 Years	More than 5 Years	Total	

(In Thousand Pesos)

Long-term debts

Fixed Rate:

OEFC						
JEXIM ^(a) 3747	3%–5.7%	₱71,272	₱40,351	₱11,747	₱27,820	₱151,190
JBIC ^(b) 21 st yen	3.5%	31,960	–	–	–	31,960
Miyazawa II	2.3% & 2.7%	123,894	226,543	197,505	583,877	1,131,819
IFC	2.37%	274,224	–	–	–	274,224
PSALM Loan	7.40% / 7.9%	307,614	616,071	551,177	1,218,657	2,693,519
	12.00%	308,076	537,084	22,337	–	867,497
FCRN Series 1	8.37%	₱217,690	₱352,116	₱162,068	₱–	₱731,874
FCRN Series 2	9.4%	454,765	830,089	581,681	230,744	2,097,279
FCRN Series 3	8.43%	112,621	202,283	93,104	–	408,008

Floating Rate:

IBRD	7.43%	209,088	34,315	–	–	243,403
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Short-term debts

Fixed Rate:

BPI	7.00%	3,986	–	–	–	3,986
ING	7.00%	1,919	–	–	–	1,919
Mizuho	4.00%	262	–	–	–	262

Floating Rate:

LBP	7.10%	37,078	–	–	–	37,078
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(a) The Export - Import Bank of Japan

(b) Japan Bank for International Cooperation

Liquidity Risk

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

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

The tables below show the Company's financial assets used for liquidity purposes based on contractual undiscounted cashflows as of September 30, 2010 and 2009 and December 31, 2009.

September 30, 2010							
	On demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousand Pesos)</i>							
AFS Investments:							
Debt investments	P724,130	P-	P-	P-	P-	P-	P724,130
Loans and receivables:							
Cash equivalents	-	5,592,990	963,234	-	-	-	6,556,224
Total	P724,130	P5,592,990	P963,234	P-	P-	P-	P7,280,354
December 31, 2009							
	On demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousand Pesos)</i>							
AFS Investments:							
Debt investments	P734,811	P-	P-	P-	P-	P-	P734,811
Loans and receivables:							
Cash equivalents	-	2,792,341	2,536,712	5,631,870	-	-	10,960,923
Total	P734,811	P2,792,341	P2,536,712	P5,631,870	P-	P-	P11,695,734
September 30, 2009							
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousand Pesos)</i>							
AFS investments -							
Debt investments	P750,807	P-	P-	P-	P-	P-	P750,807
Loans and receivables -							
Cash equivalents	-	10,008,742	-	-	-	-	10,008,742
Total	P750,807	P10,008,742	P-	P-	P-	P-	P10,759,549

The tables below summarize the maturity analysis of the Company's financial liabilities as of September 30, 2010 and 2009 and December 31, 2009 based on contractual undiscounted amounts of the principal and related interest payments:

September 30, 2010							
	On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
<i>(In Thousand Pesos)</i>							
Liabilities at amortized cost:							
Accounts payable - trade	P-	P1,760,490	P-	P-	P-	P-	P1,760,490
Accrued interest and guarantee fees	266,804	770,725	187,608	-	-	-	1,225,137
Other current liabilities	-	96,304	-	-	-	-	96,304
Due to related parties	35,183	-	-	-	-	-	35,183
Royalty fee payable	-	87,500	87,500	175,000	399,073	-	749,073
Long-term debts	-	845,604	3,125,949	3,714,533	36,183,436	12,594,079	56,463,601
Total	P301,987	P3,560,623	P3,401,057	P3,889,533	P36,582,509	P12,594,079	P60,329,788
December 31, 2009							
	On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
<i>(In Thousand Pesos)</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 debts	-	1,224,743	13,059,012	5,697,286	30,299,838	12,004,016	62,284,895
Total	P789,221	P3,987,133	P13,355,218	P5,872,286	P30,992,849	P12,004,016	P67,000,723
September 30, 2009							
	On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
<i>(In Thousand Pesos)</i>							
Liabilities at amortized cost:							
Accounts payable - trade	P-	P1,448,639	P-	P-	P-	P-	P1,448,639
Accrued interest and guarantee fees	-	776,294	125,372	-	-	-	901,666
Other current liabilities	-	7,918	-	-	-	-	7,918
Loan payable	-	2,035,042	-	-	-	-	2,035,042
Due to related parties	-	170,911	-	-	-	-	170,911
Royalty fee payable	-	-	143,851	-	673,344	-	817,195
Long-term debts	-	1,104,307	1,638,154	15,612,961	16,659,521	11,376,143	46,391,086
Total	P-	P5,543,111	P1,907,377	P15,612,961	P17,332,865	P11,376,143	P51,772,457

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

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

	September 30, 2010	Level 1	Level 2	Level 3	At Cost
Financial assets at FVPL-					
derivative assets	P236,368	P-	P236,368	P-	P-
AFS investments:					
Debt investments	724,130,139	724,130,139	-	-	-
Equity investments	16,924,816	16,805,641	-	-	119,175

	December 31, 2009	Level 1	Level 2	Level 3	At Cost
Financial assets at FVPL-					
derivative assets	P9,611,022	P-	P9,611,022	P-	P-
AFS investments:					
Debt investments	734,811,000	734,811,000	-	-	-
Equity investments	15,388,428	15,295,010	-	-	93,418
	September 30, 2009	Level 1	Level 2	Level 3	
Financial assets at FVPL -					
Derivative Assets	P25,412,438	P-	P25,412,438	P-	
AFS investments:					
Debt investments	750,806,879	750,806,879	-	-	
Equity investments	16,018,900	16,018,900	-	-	

During the nine-month periods ended September 30, 2010 and 2009 and December 31, 2009, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Financial Assets and Financial Liabilities

The following tables are comparison of carrying amounts and fair values of the Company's financial instruments as of September 30, 2010 and 2009 and December 31, 2009.

	September 30, 2010		September 30, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	P7,082,360,583	P7,082,360,583	P11,815,559,588	P11,815,559,588
Trade receivables	3,375,441,523	3,375,441,523	3,265,757,909	3,265,757,909
Non-trade receivables	57,979,037	57,979,037	59,112,261	59,112,261
Loans and notes receivables	62,585,956	62,585,956	62,566,368	62,566,368
Employee receivables	31,427,584	31,427,584	38,611,856	38,611,856
Advances to employees	31,840,941	31,840,941	31,024,431	31,024,431
Long-term receivables	-	-	16,773,760	16,773,760
Concession receivables	-	-	33,159,383,136	29,927,230,494
Due from related parties	-	-	5,314,010	5,314,010
AFS investments:				
Debt investments	724,130,139	724,130,139	750,806,879	750,806,879
Equity investments	16,924,816	16,924,816	16,018,900	16,018,900
Financial assets at FVPL:				
Derivative assets	236,368	236,368	25,412,438	25,412,438
Total	P11,382,926,947	P11,382,926,947	P49,246,341,536	P46,014,188,894
Financial Liabilities				
Financial liabilities at amortized cost:				
Accounts payable - trade	P1,760,490,048	P1,760,490,048	P1,448,639,055	P1,448,639,055
Accrued interest and guarantee fees	1,225,136,610	1,225,136,610	901,665,988	901,665,988
Other current liabilities	96,303,505	96,303,505	7,917,914	7,917,914
Loan payable	-	-	2,000,000,000	2,000,000,000
Due to related parties	35,182,762	35,182,762	170,911,278	170,911,278
Royalty fee payable	629,484,504	644,756,141	817,194,809	854,523,090
Long-term debts	41,297,687,298	48,654,847,483	37,474,589,819	40,547,409,954
Total	P45,044,284,727	P52,416,716,549	P42,820,918,863	P45,931,067,279

	December 31, 2009	
	Carrying Amount	Fair Value
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	P11,220,897,157	P 11,220,897,157
Trade receivables	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
	P17,467,792,391	P17,467,792,391
Financial Liabilities		
Financial liabilities at amortized cost:		
Accounts payabl - trade	P2,202,140,914	P2,202,140,914
Accrued interest and guarantee fees	923,147,531	923,147,531
Other current liabilities	10,507,987	10,507,987
Due to related parties	537,020,209	537,020,209
Royalty fee payable	811,004,709	836,317,273
Long-term debts	47,464,498,391	52,538,678,773
	P51,948,319,741	P57,047,812,687

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

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

Trade and Other Receivables, Due from and Due to Related Parties, Trade and Other Payables and Loan Payable. These are instruments with relatively short maturity ranging one to three 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 5.30% as of September 30, 2009 (nil as of September 30, 2010 and December 31, 2009).

Concession Receivables. The fair value of concession receivables is computed by discounting the expected free cash flows using the applicable rates as of financial reporting dates ranging from 4.57% to 9.66% as of September 30, 2009 (nil as of September 30, 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. The embedded currency options were valued using Garman- Kohlhagen option pricing model that takes into account such factors as the risk-free US Dollar and Euro interest rates and historical volatility.

Long-term Debts. 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 0.13% to 8.58%, 0.19% to 5.93% and 0.64% to 2.38% in September 30, 2010,

December 31, 2009 and September 30, 2009, respectively. On the other hand, the fair value of the newly acquired peso loan of FG Hydro is discounted using discount rates ranging from 4.27% to 7.00% as of September 30, 2010 and 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 4.19% to 6.17% and 4.46% to 6.17% as of December 31, 2009 and September 30, 2009, respectively (nil as of September 30, 2010).

Royalty Fee Payable. Fair values of royalty fee payable are determined using discount rates ranging from 4.11% to 4.59%, from 4.54% to 5.64% and from 4.13% to 4.62% as of the September 30, 2010, December 31, 2009 and September 30, 2009, respectively.

The Company classifies its financial instruments in the following categories.

	September 30, 2010					
	Loans and Receivables	AFS Investments	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousand Pesos)</i>						
Financial Assets						
Cash and cash equivalents	P7,082,361	P-	P-	P-	P-	P7,082,361
Trade receivables	3,375,442	-	-	-	-	3,375,442
Non-trade receivables	57,979	-	-	-	-	57,979
Loans and notes receivables	62,586	-	-	-	-	62,586
Employee receivables	31,428	-	-	-	-	31,428
Advances to employees	31,841	-	-	-	-	31,841
AFS - debt investments	-	724,130	-	-	-	724,130
AFS - equity investments	-	16,925	-	-	-	16,925
Derivative Assets	-	-	236	-	-	236
Financial Liabilities						
Accounts payable - trade	-	-	-	1,760,490	-	1,760,490
Accrued interest and guarantee fees	-	-	-	1,225,137	-	1,225,137
Other current liabilities	-	-	-	96,304	-	96,304
Due to related parties	-	-	-	35,183	-	35,183
Royalty fee payable	-	-	-	629,485	-	629,485
Long-term debts	-	-	-	41,297,687	-	41,297,687
Total	P10,641,637	P741,055	P236	P45,044,286	P-	P56,427,214

	December 31, 2009					
	Loans and Receivables	AFS Investments	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousand Pesos)</i>						
Financial Assets						
Cash and cash equivalents	P11,220,897	P-	P-	P-	P-	P11,220,897
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
Financial Liabilities						

December 31, 2009						
	Loans and Receivables	AFS Investments	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousand Pesos)</i>						
Accounts payable - trade	-	-	-	2,202,141	-	2,202,141
Accrued interest and guarantee fees	-	-	-	923,148	-	923,148
Other current liabilities	-	-	-	10,508	-	10,508
Due to related parties	-	-	-	537,020	-	537,020
Royalty fee payable	-	-	-	811,005	-	811,005
Long-term debts	-	-	-	47,464,498	-	47,464,498
Total	₱16,707,983	₱750,199	₱9,611	₱51,948,320	₱-	₱69,416,113

September 30, 2009						
	Loans and Receivables	AFS Investments	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousand Pesos)</i>						
Financial Assets						
Cash and cash equivalents	₱11,815,560	₱-	₱-	₱-	₱-	₱11,815,560
Trade receivables	3,265,758	-	-	-	-	3,265,758
Non-trade receivables	59,112	-	-	-	-	59,112
Loans and notes receivables	62,566	-	-	-	-	62,566
Employee receivables	38,612	-	-	-	-	38,612
Advances to employees	31,024	-	-	-	-	31,024
Long-term receivables	16,774	-	-	-	-	16,774
Concession receivables	33,159,383	-	-	-	-	33,159,383
Due from related parties	5,314	-	-	-	-	5,314
Debt investments	-	750,807	-	-	-	750,807
Equity investments	-	16,019	-	-	-	16,019
Derivative assets	-	-	25,412	-	-	25,412
Financial Liabilities						
Accounts payable - trade	-	-	-	1,448,639	-	1,448,639
Accrued interest and guarantee fees	-	-	-	901,666	-	901,666
Other current liabilities	-	-	-	7,918	-	7,918
Loan payable	-	-	-	2,000,000	-	2,000,000
Due to related parties	-	-	-	170,911	-	170,911
Royalty fee payable	-	-	-	817,195	-	817,195
Long-term debts	-	-	-	37,474,590	-	37,474,590
Total	₱48,454,103	₱766,826	₱25,412	₱42,820,919	₱-	₱92,067,260

The table below demonstrates the income, expense, gains or losses of the Company's financial instruments for the nine-month periods ended September 30, 2010 and 2009.

	September 30, 2010		September 30, 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
Loans and receivables:				
Interest income on cash in banks	₱895,177	₱-	₱796,713	₱-
Interest income on cash equivalents	233,064,773	-	244,118,525	-
Interest income on trade receivables	6,007,914	-	57,877,183	-
Interest income on concession receivables	-	-	1,490,446,446	-
Interest on overdue accounts and others	20,054,281	-	-	-

	September 30, 2010		September 30, 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
Interest Income due from related parties	1,574	-	-	-
Equity investments -				
Impairment loss of AFS Investments	-	-	(3,328,633)	-
Net loss removed from equity				3,328,633
Net gain (loss) recognized in equity	-	4,865,021	-	5,750,295
Debt investments:				
Net gain (loss) recognized in equity	-	16,763,249	-	73,985,399
Interest Income on ROP Bonds	438,905	-	-	-
Financial assets at FVPL:				
Fair value changes and premium on forward contracts	446,597,342	-	(175,648,625)	-
Unrealized loss on fair value changes on currency options	(9,364,622)	-	(9,505,321)	-
Financial liabilities at amortized cost:				
Interest expense on long-term loans	(2,811,832,572)	-	(1,764,811,759)	-
Interest expense on short-term loans	(16,085,312)	-	(124,463,798)	-
Interest expense on royalty fee payable	(45,229,380)	-	(54,003,762)	-
“Day 1” gain on royalty fee payable	-	-	168,284,986	-
Total	(P2,175,451,920)	P21,628,270	(P170,238,045)	P83,064,327

Capital Management

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

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

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

The Table below shows the Company’s debt ratio as at September 30, 2010 and 2009 and December 31, 2009.

	September 30, 2010	December 31, 2009	September 30, 2009
Long-term liabilities	P41,297,687,298	P47,464,498,391	P37,474,589,819
Equity	35,424,007,470	30,320,535,500	28,356,660,027
Debt ratio	53.8%	61.0%	56.9%

Derivative Financial Instruments

The Company's derivative financial instruments are accounted for as financial instruments at FVPL. The table below shows the fair value of derivative financial instruments reported as assets or liabilities as of September 30, 2010 and 2009 and December 31, 2009.

	September 30, 2010		December 31, 2009	September 30, 2009	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Assets	Derivative Liabilities
Embedded derivatives -					
Currency options	P236,368	P-	P9,611,022	P25,412,438	P-
Free standing derivatives					
Range bonus forwards	-	-	-	-	-
Currency forwards	-	-	-	-	-
Total derivatives	P236,368	P-	P9,611,022	P25,412,438	P-
Presented as:					
Current	P-	P-	P-	P-	P-
Noncurrent	236,368	-	9,611,022	P25,412,438	-
Total derivatives	P236,368	P-	P9,611,022	P25,412,438	P-

Freestanding Derivatives. The Company enters into derivative transactions to hedge the foreign currency exposure arising from its foreign currency denominated loan contracts. During the year 2010, the Company had positions in the following types of freestanding derivatives to protect itself against foreign currency risk arising from the changes on the exchange rate of the peso in relation to the foreign currency. As of September 30, 2010, the Company has no outstanding derivatives due to the termination of its derivative contracts with counterparty banks on June 24, 2010.

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

The Company instituted a total of sixteen (16) foreign currency forward contracts during the year which all matured on June 24, 2010. These contracts which include two (2) non-deliverable buy yen sell dollar, thirteen (13) deliverable buy yen and sell dollar and a buy dollar sell peso forward contracts, have notional amounts and average rates of ¥3,107 million and ¥93.5, ¥22,261 million and ¥93.39 and \$12.0 million and P46.29, respectively. The total net realized gain recognized relative to these forward contracts is P446.57 million, with P12.47 million and P434.10 million attributable to non-deliverable and deliverable contracts, respectively.

In 2009, the Company had a total of 14 foreign currency forward contracts with various counterparty banks. While all contracts had same maturity date on May 28, 2009, five of these were instated during the year mentioned. As of December 31, 2009, with no changes from September 30, 2009, the Company's deliverable buy yen and sell dollar and buy dollar and sell peso forward contracts had aggregate notional amounts and weighted average forward rates to US\$1 of ¥4,000 million and \$118 million and ¥98.6 and P48.59, respectively. The net mark to market loss recognized in 2009 relative to the forward contracts was P10.6 million.

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 September 30, 2010, December 31, 2009 and September 30, 2009, the embedded currency options have notional amounts of €1.6 million, €7.8 million and €10.6 million, respectively. 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, 2010 and 2009 and December 31, 2009.

Freestanding Derivatives

	September 30, 2010		December 31, 2009		September 30, 2009	
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability
Range Bonus Forward						
Balance at beginning of period	P-	P-	P614,081,623	P-	P614,081,623	P-
Net changes in fair value			(78,318,622)	-	(78,318,622)	-
Settlement	-	-	(535,763,001)	-	(535,763,001)	-
Balance at end of period	P-	P-	P-	P-	P-	P-
Currency Forwards						
Balance at beginning of period	P-	P-	P-	P(54,250,018)	P-	P(54,250,018)
Net changes in fair value	430,748,096	(2,880,000)	68,344,713	(78,909,982)	68,344,713	(78,909,982)
Settlement	(430,748,096)	2,880,000	(68,344,713)	133,160,000	(68,344,713)	133,160,000
Balance at end of period	P-	P-	P-	P-	P-	P-
Total	P-	P-	P-	P-	P-	P-

Embedded Derivatives

	September 30, 2010	December 31, 2009	September 30, 2009
Derivative Assets			
Balance at beginning of period	P9,611,022	P34,907,195	P34,907,195
Net changes in fair value of derivatives	(9,364,622)	(23,161,134)	(9,505,321)
Fair value of settled derivatives	-	(1,800,163)	-
Foreign exchange difference	(10,032)	(334,876)	10,564
Balance at end of period	P236,368	P9,611,022	P25,412,438

The net changes in fair value of the Company's derivative during the periods ended September 30, 2010 and 2009 amounting to P437.0 million gain and P98.4 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 ended September 30, 2009 of P86.8 million (nil in 2010).

37. Business Combinations

Acquisition of Palinpinon and Tongonan Geothermal Power Plants

On September 2, 2009, GCGI acquired the 192.5 Megawatt (MW) Palinpinon and 112.5 MW Tongonan 1 Geothermal Power Plants in an auction conducted by PSALM where GCGI submitted the highest complying financial bid of US\$220 million.

In September 2010, the consolidated financial statements as of and for the year ended December 31, 2009 were restated to effect the adjustments due to the completion of GCGI's

Purchase Price Allocation (PPA). The final fair values of the identifiable net assets at the acquisition date are as follows:

	Fair Values
Property, plant and equipment	₱7,281,444,330
Parts and supplies inventories	393,076,163
Deferred tax assets	249,081,716
Liabilities	–
Net assets	7,923,602,209
Goodwill	2,241,735,448
Total consideration	₱10,165,337,657

Total identifiable assets reclassified from property, plant and equipment amounted to ₱2,883.9 million (see Note 9). Accordingly, the effects on the depreciation expense and related deferred income taxes resulted to reduction in the retained earnings as of December 31, 2009 by ₱11.3 million.

Acquisition of Bacon-Manito Geothermal Power Plants

On May 5, 2010, BGI submitted the highest offer price of US\$28.25 million for the 150 MW Bacon-Manito (BacMan) Geothermal Power Plants in a competitive bidding conducted by PSALM.

Located in the towns of Bacon, Sorsogon and Manito, Albay in the Bicol region, the BacMan plant package consists of two steam plant complexes. The BacMan I geothermal facility comprises two 55-MW turbines, which were both commissioned in 1993. BacMan II, on the other hand, consists of two 20-MW units namely, the Cawayan located in Barangay Basud and the Botong in Osiao, Sorsogon City. The Cawayan unit was commissioned in 1994 and the Botong unit in 1998. EDC supplies the steam fuelling of these plants.

On September 3, 2010, BGI remitted to PSALM the amount of ₱1,279.7 million representing the full payment of the BacMan power plants acquisition.

The provisional fair values of the identifiable assets and liabilities that were recognized on acquisition date are as follows:

Property, plant and equipment	₱1,279,725,000
Liabilities	–
Net assets	1,279,725,000
Percentage of ownership acquired	100%
Share in the net assets acquired	1,279,725,000
Provisional goodwill arising from acquisition	–
Total acquisition cost	₱1,279,725,000

The carrying values of the identifiable assets immediately before the acquisition cannot be reasonably and practicably determined since the Company has no access to PSALM's records. Thus, the fair values recognized on acquisition date were based on the actual purchase price.

The Bacon-Manito Geothermal Power Plants are currently under rehabilitation to restore capacity and reliability.

Energy Development Corporation and Subsidiaries
As of September 30, 2010
(With comparative figures for September 30, 2009)
In Million Pesos

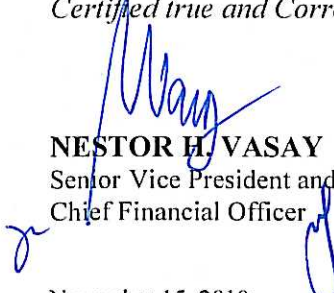
Aging of Accounts Receivable

	Amount
Trade Receivables	
Current	
More than 90 days past due	3,217.2
More than 120 days past due	180.2
Subtotal	3,397.4
Other Receivables	165.6
Total Receivables	3,563.0
Allowance for Doubtful Accounts	(22.0)
Trade and Other Receivables – Net	3,541.0


Breakdown of Liabilities

	2010	2009
A. Current Liabilities		
Loan Payable	-	2,000.0
Accounts Payable	2,267.9	1,859.5
Accrued Interest and Other Payables	1,482.2	1,071.0
Income Tax Payable	184.9	-
Due to Related Parties	35.2	170.9
Total	3,970.20	5,101.4
B. Noncurrent Liabilities		
Royalty Fee Payable		
Current	247.3	209.3
Noncurrent	382.1	607.9
Long-term Debt		
Current	1,555.4	14,738.4
Noncurrent	39,742.3	22,736.2
Retirement Benefit Obligation and Other Noncurrent Liabilities	1,409.2	1,408.9
Total	43,336.3	39,700.7
Total Liabilities	47,306.5	44,802.1

Certified true and Correct


NESTOR H. VASAY
 Senior Vice President and
 Chief Financial Officer

November 15, 2010
 Date Signed


AGNES C. DE JESUS
 Senior Vice President and
 Compliance Officer

November 15, 2010
 Date Signed