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November 10, 2011

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

Dear Ms. Encarnacion:

In compliance with the disclosure requirements of the PSE, we submit the attached Energy Development Corporation (Consolidated) Quarterly Report for the period ended September 30, 2011 (SEC Form 17-Q).

Very truly yours,

A handwritten signature in blue ink, appearing to read "Erudito S. Recio", is written over the typed name and title.

Erudito S. Recio
Investor Relations Manager &
Corporate Information Officer



111102011001328



SECURITIES AND EXCHANGE COMMISSION

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ENERGY DEVELOPMENT CORPORATION
(Company's full Name)

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

(632) 667-7332
(Telephone Number)

September 30, 2011
(Quarter Ending)

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<u>Title of each Class</u>	<u>Number of shares outstanding as of September 30, 2011</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 [] No []

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

Philippine Stock Exchange

Common Stock

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

PART 1 FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Our unaudited consolidated financial statements for the quarter ended September 30, 2011 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) and are filed as Annex I of this report.

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

The following is a discussion and analysis of the Company's consolidated financial performance for the quarter ended September 30, 2011. The prime objective of this MD&A is to help the readers understand the dynamics of our Company's business and the key factors underlying our financial results. Hence, our MD&A is comprised of a discussion of our core business and an analysis of the results of operations. This section also focuses on key statistics from the unaudited financial statements and pertains to risks and uncertainties relating to the geothermal power industry in the Philippines where we operate up to the stated reporting period. However, our MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general economic, political and environment condition after the stated reporting date.

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

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

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

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, 2011, the Company operates twelve geothermal steam fields in the five geothermal service contract areas where it is principally involved in:

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

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

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

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

Percentage of sales or revenues contributed by foreign sales

The Company generated ₱522.3 million from the contract it entered into with Lihir Gold Limited (LGL) in Papua, New Guinea. This represents 2.9% of the Company's ₱18,221.7 million gross revenues for the first three quarters of 2011. For the fifth consecutive time, the Company's contract with LGL was once again renewed and extended up to December 31, 2012.

Distribution methods of products or services

The Company's 5,214.3 GWh total sales volume comprised of 4,914.6 GWh coming from electricity production in Leyte, Mindanao, No. Negros, Tongonan I and Palinpinon geothermal power plants; and 299.7 GWh from FG Hydro's Pantabangan-Masiway hydro power plants. About 66.2% or 3,452.1 GWh generated by Leyte and Mindanao was sold to NPC. The 1,462.5

GWh generated by Tongonan I, Palinpinon I and II and No. Negros was sold to electric cooperatives and industrial customers in the Visayas region and the Wholesale Electricity Spot Market (WESM). Electricity production of about 299.7 GWh, by FG Hydro's power plants, was sold to the distribution utility clients comprised of electric cooperatives in the province of Nueva Ecija, the WESM and NGCP for ancillary services.

The electricity generated by the Company's geothermal power plants is transmitted to customers i.e., distribution utilities, electric cooperatives or bulk power customers by the NGCP through its high voltage backbone system.

FG Hydro generated 299.7 GWh of electricity as of third quarter of 2011, of which 61% or 183.8 GWh, was consumed by its contracted customers, 27% of 81.4 GWh was for ancillary services to NGCP, and 16% or 34.6 GWh was sold to the WESM.

Competition

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

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

On May 5, 2010, BGI submitted the highest offer price for Bacman Geothermal Power Plant (BGPP) in a competitive bidding conducted by PSALM and remitted the full payment of the BGPP acquisition on September 3, 2010.

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

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

Close to 55.7% of the Company's total revenues are derived from existing long-term Power Purchase Agreements (PPAs) with NPC.

Concessions and government share payments

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

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

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

Geothermal Resource

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

Wind Resource

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

KEY PERFORMANCE INDICATORS

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

Ratio	Sept – 11	Sept – 10
Current Ratio	2.63:1	2.52:1
Debt-to-Equity Ratio	1.82:1	1.17:1
Net Debt-to-Equity Ratio	1.38:1	0.97:1
Return on Assets (%)	(0.57)	9.73
	4.34*	9.73
Return on Equity (%)	(1.53)	23.78
	10.86*	23.78

*excludes provision for impairment of NNGP assets (P3,390.0 million and P4,998.6 million in December 2010 and June 2011, respectively)

Current Ratio – Total current assets divided by total current liabilities

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

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

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

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

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

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

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

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

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

OPERATING REVENUES AND EXPENSES

FINANCIAL HIGHLIGHTS

The recurring net income generated in the first three quarters of 2011 decreased by 38.4% or ₱2,472.7 million to ₱3,967.2 million from the ₱6,439.9 million posted during the same period in 2010. This was mainly due to ₱1,100.0 million decline in revenues caused by the absence of steam sales and lower market prices in the WESM. The revenue decline was net of the fresh contribution from FG Hydro's ₱380.7 million revenues from ancillary services, and the ₱1,061.0 million higher revenues from Tongonan I and Palinpinon power plants mainly due to WESM sales and re-pricing of GCGI's power supply agreements. The decline in recurring net income was also due to the ₱1,184.7 million increase in operating expenses mainly attributed to higher operations and maintenance expenses for the Bacman steamfields, in preparation for the re-commissioning of the power plants, and higher general administrative expenses.

Net income (loss) is equivalent to (2.7%) of total revenues in 2011 as compared to the 39.1% in the same period in 2010.

Net income decreased by 106.4% or ₱8,070.6 million to a net loss of ₱487.7 million as of September 2011 from a net income of ₱7,582.9 million during the same period in 2010.

Factors contributing to these were the following:

- lower revenues mainly due to absence of steam sales during the year (₱1,100.0 million);
- higher operating expenses primarily due to the full impairment provision of Northern Negros Geothermal Project (NNGP) assets and spending for Bacman steamfields in preparation for the power plants' re-commissioning, as well as increases in general and administrative expenses, purchased services and utilities, and depreciation and amortization charges for the period (₱5,778.5 million); and
- lower other income primarily contributed by the absence in 2011 of the reduction in allowance for doubtful account on input VAT claims from the BIR recognized in 2010 (₱2,105.7 million)

Cash and cash equivalents increased by 106.2% or ₱6,541.3 million to ₱12,699.2 million as of September 30, 2011 from the ₱6,157.9 million December 31, 2010 balance. The increase was mainly accounted for by the ₱13,350.0 million and ₱3,262.5 million proceeds from the US\$300 million bonds and IFC 2nd loan, respectively, and the ₱6,875.8 million cash flow from operations.

These increases were mainly offset by the following:

- ₱6,695.2 million investments in property, plant and equipment;
- ₱4,758.3 million prepayment of OECF 9th, 18th, 19th and 21st Yen loan and ₱1,210.1 million settlement of regular long-term debt servicing;

- ₪3,341.3 million payment of cash dividend by the parent company and FG Hydro in 2011; and
- ₪1,035.6 million increase in other noncurrent assets

RESULTS OF OPERATIONS

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

INCOME STATEMENT

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

HORIZONTAL ANALYSIS VERTICAL ANALYSIS
Favorable (Unfavorable) Variance

(Amounts in PHP millions)	September 2011	September 2010	Amount	%	2011	2010
Sale of electricity	17,699.4	17,526.5	172.9	1.0%	97.1%	90.7%
Sale of steam	-	1,210.1	(1,210.1)	-100.0%	0.0%	6.3%
Drilling services	522.3	585.1	(62.8)	-10.7%	2.9%	3.0%
TOTAL REVENUES	18,221.7	19,321.7	(1,100.0)	-5.7%	100.0%	100.0%
Operations and maintenance	(8,837.0)	(3,534.1)	(5,302.9)	150.0%	-48.5%	-18.3%
Purchased services and utilities	(1,622.9)	(1,316.2)	(306.7)	23.3%	-8.9%	-6.8%
General and administrative	(2,877.5)	(2,798.3)	(79.2)	2.8%	-15.8%	-14.5%
Depreciation and amortization	(2,632.8)	(2,543.1)	(89.7)	3.5%	-14.4%	-13.2%
Total Operating Expenses	(15,970.2)	(10,191.7)	(5,778.5)	56.7%	-87.6%	-52.8%
Interest income	281.2	260.5	20.7	7.9%	1.5%	1.3%
Interest expense	(3,260.2)	(2,879.0)	(381.2)	13.2%	-17.9%	-14.9%
Total Financial Income (Expenses)	(2,979.0)	(2,618.5)	(360.5)	13.8%	-16.4%	-13.6%
Foreign exchange gains (losses) - net	(48.7)	104.6	(153.3)	-146.6%	-0.3%	0.5%
Derivatives gain - net	107.5	437.2	(329.7)	-75.4%	0.6%	2.3%
Miscellaneous - net	18.8	1,641.5	(1,622.7)	-98.9%	0.1%	8.5%
Total Other Income (Expenses)	77.6	2,183.3	(2,105.7)	-96.4%	0.4%	11.3%
INCOME BEFORE INCOME TAX	(649.9)	8,694.8	(9,344.7)	-107.5%	-3.6%	44.9%
(Provision for) benefit from Income Tax						
Current	(402.8)	(406.5)	3.7	-0.9%	-2.2%	-2.1%
Deferred	565.0	(705.4)	1,270.4	-180.1%	3.1%	-3.7%
	162.2	(1,111.9)	1,274.1	-114.6%	0.9%	-5.8%
NET INCOME (LOSS)	(487.7)	7,582.9	(8,070.6)	-106.4%	-2.7%	39.1%
Attributable to:						
Equity holders of the Parent Company	(670.2)	7,126.5	(7,796.7)	-109.4%	-3.7%	36.9%
Non-controlling interest	182.5	456.4	(273.9)	-60.0%	1.0%	2.4%
EBITDA	10,280.2	11,673.1	(1,392.9)	-11.9%	56.4%	60.4%
Recurring Net Income	3,967.2	6,439.9	(2,472.7)	-38.4%	21.8%	33.3%
Attributable to:						
Equity holders of the Parent Company	3,784.3	6,022.8	(2,238.5)	-37.2%	20.8%	31.2%
Non-controlling interest	183.0	417.1	(234.1)	-56.1%	1.0%	2.2%

YTD September 30, 2011 vs. YTD September 30, 2010

Revenues

Revenues for the period ended September 30, 2011 decreased by 5.7% to ₱18,221.7 million from ₱19,321.7 million registered during the same period in 2010. The ₱1,100.0 million decrease in revenues was mainly contributed by the absence of steam sales.

Revenue from Sale of Electricity

Revenue from sale of electricity increased by 1.0%, or ₱172.9 million, to ₱17,699.4 million in the three quarters of 2011 from ₱17,526.5 million during the same period in 2010 due to the following:

- ₱1,061.0 million higher revenues from Tongonan I and Palinpinon power plants mainly due to WESM sales and the re-pricing of GCGI's power supply agreements; and
- ₱380.7 million fresh contribution from FG Hydro's revenues from ancillary services.

The above increase was offset by the combined effects of the following:

- ₱937.9 million decline in FG Hydro's electricity revenue due to significantly lower dispatch and spot prices in WESM; and
- ₱330.9 million decrease mainly due to lower average electricity price of Unified Leyte and Mindanao.

Revenue from Sale of Steam

Revenue from sale of steam was nil in the three quarters of 2011 while ₱1,210.1 million was generated during the same period in 2010 following the acquisition of the Bacman power plants in September 2010.

Revenue from Drilling Services

Revenue from drilling services decreased by 10.7%, or ₱62.8 million, to ₱522.3 million as of September 30, 2011 from ₱585.1 million during the same period in 2010. The unfavorable variance was attributed to lower drilling days and average exchange rate.

Operating Expenses

Operating expenses significantly increased by 56.7%, or ₱5,778.5 million, to ₱15,970.2 million as of September 30, 2011 from ₱10,191.7 million level during the same period in 2010. The increase was mainly contributed by the Company's higher operations and maintenance (₱5,302.9 million) and higher purchased services and utilities (₱306.7 million).

Operations and Maintenance

Operations and maintenance expenses increased by 150.0%, or ₱5,302.9 million, to ₱8,837.0 million as of September 30, 2011 from ₱3,534.1 million during the same period in 2010 mainly on account of the full impairment provision of NNGP assets (₱4,998.6 million) and higher spending for Bacman steamfields in preparation for the power plants' re-commissioning.

Purchased Services and Utilities

Purchased services and utilities increased by 23.3%, or ₱306.7 million, to ₱1,622.9 million as of September 30, 2011 from ₱1,316.2 million during the same period in 2010 due to higher fees on technical and consultancy services with the engagement of Thermaprime Well Services, Inc. starting March 2011.

Depreciation and Amortization

Depreciation and amortization charges increased by 3.5%, or ₱89.7 million, to ₱2,632.8 million as of September 30, 2011 from ₱2,543.1 million during the same period in 2010 mainly contributed by the depreciation of various newly acquired assets.

Financial Income (Expenses)

Financial expenses-net increased by 13.8%, or ₱360.5 million, to ₱2,979.0 million as of September 30, 2011 from ₱2,618.5 million during the same period in 2010 due to the increase in outstanding borrowings.

Interest Income – net

Interest income-net of final tax increased by 7.9%, or ₱20.7 million, to ₱281.2 million as of September 30, 2011 from ₱260.5 million during the same period in 2010 mainly due to placement of funds - net of final tax brought about by higher monthly average fund level because of new loan drawdown and higher weighted average interest rates on peso placements.

Interest Expense

Interest expense increased by 13.2%, or ₱381.2 million, to ₱3,260.2 million as of September 30, 2011 from ₱2,879.0 million during the same period in 2010. The unfavorable variance was mainly due to the following:

- Interest charges of the US\$300 million bond and US\$175 million syndicated term loan facility issued/acquired in January 2011 and June 2010, respectively (₱771.7 million)
- Accelerated amortization of transaction costs on US\$175 syndicated term loan facility due to its early full settlement through refinancing in June 2011 (₱259.5 million)

- Interest expense on asset retirement obligation recognized in March 2011 in compliance with Philippine Accounting Standard (PAS) No. 37 (₱54.2 million)

This was offset by lower interest charges on other long-term loans due to the full retirement of Yen-denominated loans (₱719.4 million).

Other Income (Charges)

Other income-net decreased by 96.4%, or ₱2,105.7 million, to ₱77.6 million as of September 30, 2011 from ₱2,183.3 million during the same period in 2010. The unfavorable variance was primarily contributed by the absence in 2011 of the reduction in allowance for doubtful account on input VAT refund claims from the BIR recognized in 2010.

Foreign Exchange Gains (losses) - net

Foreign exchange gains of ₱104.6 million in September 30, 2010 decreased by 146.6%, or ₱153.3 million, to ₱48.7 million losses as of September 30, 2011. The losses in 2011 were mainly contributed by the decline in value of US dollar investments/placements partially offset by gains on payment/realignment of foreign denominated long-term loans.

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

	JPY:US\$	PHP:US\$
December 31, 2009	91.634	46.200
September 30, 2010	83.661	43.880
December 31, 2010	81.659	43.840
September 30, 2011	76.787	43.720

Derivatives Gain - net

Derivative gain - net decreased by 75.4%, or ₱329.7 million, to ₱107.5 million as of September 30, 2011 from ₱437.2 million during the same period in 2010. The 2011 gain pertained to various swap transactions for US dollar and Japanese yen currencies entered into with various banks in 2011 while the 2010 gain consisted of realized gain on forward currency contracts with various banks for Japanese Yen used for the full settlement of Miyazawa II Yen loan in June 2010 and IBRD 3764/JBIC 15th Yen loans in May 2010.

Miscellaneous Income - net

Miscellaneous income - net decreased by 98.9%, or ₱1,622.7 million, to ₱18.8 million as of September 30, 2011 from ₱1,641.5 million during the same period in 2010 mainly due to the absence in 2011 of the reduction in allowance for doubtful account on input VAT refund claims from the BIR recognized in 2010 (₱1,638.9 million).

(Provision for) Benefit from Income Tax

Deferred tax income of ₱565.0 million as of September 30, 2011 was a reversal of ₱705.4 million deferred tax expense during the same period in 2010. The favorable variance was primarily contributed by the following:

- Deferred tax asset on provision of allowance for full impairment of NNGP assets while none in 2010 (₱499.9 million);
- One-time write-off in 2010 of deferred tax asset on amortized foreign exchange losses on long-term foreign loans previously covered by PD 1442 (₱340.4 million)
- Deferred tax asset on the reversal of allowance for doubtful accounts on input VAT due to the receipt of TCC from the BIR in 2010 (₱189.4 million)
- Lower reversal of deferred tax assets pertaining to the foreign exchange losses on the settlement of the long-term foreign loans (₱149.6 million)

Net Income (Loss)

Net loss of ₱487.7 million as of September 30, 2011 as compared to the ₱7,582.9 million net income during the same period in 2010.

Factors contributing to these were the following:

- higher operating expenses mainly attributed to the provision in 2011 of allowance for full impairment of NNGP assets (₱5,778.5 million);
- reduction in allowance for doubtful account on input VAT claims from the BIR recognized in 2010 (₱1,638.9 million);
- forgone steam sales following the acquisition of the Bacman power plants (₱1,210.1 million)
- increase in financial expenses-net (₱360.5 million);
- decrease in derivative gains-net (₱329.7 million); and
- foreign exchange losses-net of ₱48.7 million as of September 30, 2011 against the foreign exchange gains-net of ₱104.6 million during the same period in 2010.

These were cushioned by the benefit from income tax of ₱162.2 million as of September 30, 2011 versus ₱1,111.9 million provision for income tax during the same period in 2010.

CAPITAL AND LIQUIDITY RESOURCES

As of the quarter ended (in millions of pesos)	Q3 2011	Q3 2010	YoY change
Balance Sheet Data			
Total Assets	88,143.4	82,730.5	6.5%
Total Liabilities.....	59,763.1	47,306.3	26.3%
Total Stockholder's Equity	28,380.3	35,424.2	-19.9%

The Company's assets as of September 30, 2011 amounted to ₱88,143.4 million, 6.5% higher as compared to the ₱82,730.5 million level as of September 30, 2010.

FINANCIAL POSITION

Horizontal and Vertical Analysis of Material Changes as of September 30, 2011 and December 31, 2010.

BALANCE SHEET

Analysis of Material Changes as of September 30, 2011 and December 31, 2010

(Amounts In PHP millions)	September 2011	December 2010	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Increase (Decrease)		2011	2010
			Amount	%		
ASSETS						
Current Assets						
Cash and cash equivalents	12,699.2	6,157.9	6,541.3	106.2%	14.4%	7.6%
Trade and other receivables	2,949.1	4,602.0	(1,652.9)	-35.9%	3.3%	5.7%
Available-for-sale (AFS) investments	675.3	707.5	(32.2)	-4.6%	0.8%	0.9%
Parts and supplies inventories	3,290.5	2,653.5	637.0	24.0%	3.7%	3.3%
Due from related parties	0.6	-	0.6	100.0%	0.0%	0.0%
Derivative assets	158.4	-	158.4	100.0%	0.2%	0.0%
Other current assets	1,267.4	733.8	533.6	72.7%	1.4%	0.9%
Total Current Assets	21,040.5	14,854.7	6,185.8	41.6%	23.9%	18.3%
Noncurrent Assets						
Property, plant and equipment	55,968.8	56,603.1	(634.3)	-1.1%	63.5%	69.6%
Intangible assets	4,470.9	4,543.0	(72.1)	-1.6%	5.1%	5.6%
Deferred tax assets	1,457.7	893.7	564.0	63.1%	1.7%	1.1%
Exploration and evaluation assets	1,303.2	1,170.4	132.8	11.3%	1.5%	1.4%
Other noncurrent assets	3,902.3	3,238.6	663.7	20.5%	4.4%	4.0%
Total Noncurrent Assets	67,102.9	66,448.8	654.1	1.0%	76.1%	81.7%
TOTAL ASSETS	88,143.4	81,303.5	6,839.9	8.4%	100.0%	100.0%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Loan payable	-	175.0	(175.0)	-100.0%	0.0%	0.2%
Trade and other payables	5,253.3	5,123.5	129.8	2.5%	6.0%	6.3%
Income tax payable	155.8	71.2	84.6	118.8%	0.2%	0.1%
Due to related parties	148.2	335.7	(187.5)	-55.9%	0.2%	0.4%
Derivative liabilities	74.5	-	74.5	100.0%	0.1%	0.0%
Current portion of:						
Long-term debts	2,055.2	1,527.2	528.0	34.6%	2.3%	1.9%
Royalty fee payable	315.5	254.1	61.4	24.2%	0.4%	0.3%
Total Current Liabilities	8,002.5	7,486.7	515.8	6.9%	9.1%	9.2%
Noncurrent Liabilities						
Long-term debts - net of current portion	49,695.8	39,678.7	10,017.1	25.2%	56.4%	48.8%
Royalty fee payable - net of current portion	48.3	300.6	(252.3)	-83.9%	0.1%	0.4%
Retirement and other post-retirement benefits	1,440.8	1,307.1	133.7	10.2%	1.6%	1.6%
Other long-term liabilities	575.7	291.3	284.4	97.6%	0.7%	0.5%
Total Noncurrent Liabilities	51,760.6	41,577.7	10,182.9	24.5%	58.7%	51.2%
EQUITY						
Equity Attributable to Equity Holders of the Parent						
Preferred stock	93.8	93.8	-	0.0%	0.1%	0.1%
Common stock	18,750.0	18,750.0	-	0.0%	21.3%	23.1%
Common stock in employee trust account	(377.5)	(379.2)	1.7	-0.4%	-0.3%	-0.5%
Additional paid-in capital	6,265.6	6,266.1	(0.5)	0.0%	7.1%	7.7%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-4.1%	-4.6%
Accumulated unrealized gain on AFS investments	90.9	119.7	(28.8)	-24.1%	0.1%	0.1%
Retained earnings	5,646.6	9,524.6	(3,878.0)	-40.7%	6.4%	11.7%
Cumulative translation adjustment	(0.8)	1.4	(2.2)	-157.1%	0.0%	0.0%
	26,762.2	30,670.0	(3,907.8)	-12.7%	30.5%	37.6%
Non-controlling interest	1,618.1	1,569.1	49.0	3.1%	1.8%	1.9%
Total Equity	28,380.3	32,239.1	(3,858.8)	-12.0%	32.2%	39.5%
TOTAL LIABILITIES AND EQUITY	88,143.4	81,303.5	6,839.9	8.4%	100.0%	100.0%

Assets

Cash and Cash Equivalents

The 106.2% or ₱6,541.3 million increase to ₱12,699.2 million as of September 30, 2011 from the ₱6,157.9 million December 31, 2010 balance was mainly accounted for by the ₱13,350.0 million and ₱3,262.5 million proceeds from the US\$300 million bonds and IFC 2nd loan, respectively, and the ₱6,875.8 million cash flow from operations.

The above increases were mainly offset by the:

- ₱6,695.2 million investments in property, plant and equipment;
- ₱4,758.3 million prepayment of OECF 9th, 18th, 19th and 21st Yen loan and ₱1,210.1 million settlement of regular long-term debt servicing;
- ₱3,341.3 million payment of cash dividend by the parent company and FG Hydro in 2011; and
- ₱1,035.6 million increase in other noncurrent asset

Trade and Other Receivables

Trade and other receivables decreased by 35.9% or ₱1,652.9 million to ₱2,949.1 million as of September 30, 2011 from the ₱4,602.0 million balance as of December 31, 2010 due to the ₱1,034.9 million collection of the November 2010 regular billings of the Parent Company and August 2010 inflation adjustments for Unified Leyte and ₱487.7 million credit notes issued on Unified Leyte's shortfall generation.

Parts and Supplies Inventories

This account increased by 24.0% or ₱637.0 million to ₱3,290.5 million as of September 30, 2011 from the ₱2,653.5 million as of December 31, 2010. The increase was due to the procurement of various materials and spare parts for the power plant maintenance and rehabilitation activities.

Due from related parties

The due from related parties ₱0.6 million balance as of September 30, 2011 is mainly attributable to the interest free advances to First Balfour Inc.

Derivative assets

The derivative assets ₱158.4 million balance as of September 30, 2011 pertains to the fair value of the outstanding foreign currency forward and foreign exchange swap contracts.

Other Current Assets

This account increased by 72.7% or ₱533.6 million to ₱1,267.4 million as of September 30, 2011 from the ₱733.8 million balance in December 2010 primarily due to the ₱300.0 million reclassification from non-current assets of the TCC applicable for 2012 and ₱95.4 million prepaid premium on industrial all risk insurance. The variance is also due to GCGI's higher prepaid insurance and creditable withholding tax certificates totaling to ₱94.8 million and BGI's higher advances to contractors on purchase of services of ₱48.2 million.

Deferred Tax Assets

This account increased by 63.1% or ₱564.0 million to ₱1,457.7 million as of September 30, 2011 from the ₱893.7 million balance as of December 31, 2010 mainly due to the recognition of deferred tax assets on the full impairment provision of NNGP's asset amounting to ₱4,998.6 million and unrealized forex loss on dollar denominated loans.

Exploration and Evaluation Assets

This account increased by 11.3% or ₱132.8 million to ₱1,303.2 million as of September 30, 2011 from the balance of ₱1,170.4 million as of December 31, 2010 mainly due to the expenditures of EDC Burgos Wind Power Corporation for the Burgos Wind Project.

Other Noncurrent Assets

This account increased by 20.5% or ₱663.7 million to ₱3,902.3 million as of September 30, 2011 from the ₱3,238.6 million balance as of December 31, 2010 mainly due to the ₱1,063.2 million increase in Input VAT claims. These were reduced by the ₱300.0 million reclassification to other current assets of the Input VAT refund certificates applicable for 2012 and ₱118.3 million increase in allowance for unrecoverable input VAT and nontrade receivables.

Liabilities

Loan Payable

This account decreased by 100.0% or ₱175.0 million as of September 30, 2011 due to the full settlement of the loan.

Income Tax payable

This account increased by 118.8% or ₱84.6 million, to ₱155.8 million as of September 30, 2011 from the ₱71.2 million balance as of December 31, 2010 arising from higher taxable income.

Due to related parties

This account decreased by 55.9% or ₱187.5 million to ₱148.2 million as of September 30, 2011 from the ₱335.7 million balance as of December 31, 2010 mainly due to partial settlement of liabilities by the Parent Company.

Derivative liabilities

The ₱74.5 million balance as of September 30, 2011 pertains to the fair value of the outstanding foreign currency forward and foreign exchange swap contracts with various counterparties.

Long-term debts - current portion

This account increased by 34.6% or ₱528.0 million to ₱2,055.2 million as of September 30, 2011 from ₱1,527.2 million balance as of December 31, 2010 primarily due to the ₱863.6 million reclassification from the non-current portion of long term debts offset by the ₱395.0 million prepayment of OECF 9th, 19th and 21st Yen loans.

Royalty fee payable - current portion

Royalty fee payable increased by 24.2% or ₱61.4 million, to ₱315.5 million as of September 30, 2011 from the ₱254.1 million balance at year-end 2010 mainly due to the ₱152.7 million royalty fee incurred for the period, ₱262.5 million reclassification from non-current portion of outstanding royalty fees payable in 2012 and ₱15.2 million accretion on Day 1 gain recognized in 2011. These were offset by ₱369.0 million royalty fee payment for the period.

Long-term debts - net of current portion

This account increased by 25.2% or ₱10,017.1 million to ₱49,695.8 million as of September 30, 2011 from ₱39,678.7 million mainly due to the following:

- ₱13,350.0 million proceeds from US\$300.0 million notes;
- ₱3,262.5 million proceeds from IFC 2nd loan; and
- ₱304.6 million amortization of transaction costs

These were offset by the following:

- ₱4,364.4 million noncurrent portion of OECF 9th, 18th, 19th and 21st Yen loan;
- ₱1,728.9 million reclassification to the current portion of OECF, Fixed Coupon Rate Notes (FCRN) and IFC 1st loans;
- ₱232.8 million foreign exchange gains on translation of foreign loans; and
- ₱256.9 million transaction costs on new loans secured in 2011.

Royalty fee payable - net of current portion

This account decreased by 83.9% or ₱252.3 million to ₱48.3 million as of September 30, 2011 from the ₱300.6 million balance as of December 31, 2010 mainly due to the ₱262.5 million reclassification to current portion of outstanding royalty fees payable in 2012 to DOE offset by ₱10.2 million accretion on Day 1 gain recognized in 2011.

Other Long-term liabilities

This account increased by 97.6% or ₱284.4 million to ₱575.7 million as of September 30, 2011 from ₱291.3 million balance as of December 31, 2010 due to the provision for asset retirement, which was offset by the payment of the 10 days monetized vacation leave of permanent employees and settlement of vacation and sick leave of separated employees.

Accumulated unrealized gain on AFS investments

This account decreased by 24.1% or ₱28.8 million to ₱90.9 million as of September 30, 2011 from ₱119.7 million as of December 31, 2010 mainly due to the decrease in fair value of the investments for the period.

Retained Earnings

Retained Earnings decreased by 40.7% or ₱3,878.0 million, to ₱5,646.6 million as of September 30, 2011 from ₱9,524.6 million as of December 31, 2010 mainly due to the ₱3,007.5 million payment of cash dividend and ₱670.2 million net loss for the three quarters of 2011.

Cumulative translation adjustment

This account decreased by 157.1% or ₱2.2 million, to a negative balance of ₱0.8 million as of September 30, 2011 from a positive balance of ₱1.4 million as of December 31, 2010 due to Chilean Peso vs US Dollar and US Dollar vs Philippine Peso fluctuation of foreign exchange rates in translating the books of EDC Chile Limitada.

Horizontal and Vertical Analysis of Material Changes as of September 30, 2011 and 2010.

BALANCE SHEET

Analysis of Material Changes as of September 30, 2011 and 2010

(Amounts In PHP millions)	September 2011	September 2010	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Increase (Decrease) Amount	%	2011	2010
ASSETS						
Current Assets						
Cash and cash equivalents	12,699.2	7,082.4	5,616.8	79.3%	14.4%	8.6%
Trade and other receivables	2,949.1	3,541.0	(591.9)	-16.7%	3.3%	4.3%
Available-for-sale (AFS) investments	675.3	724.1	(48.8)	-6.7%	0.8%	0.9%
Parts and supplies inventories	3,290.5	2,402.2	888.3	37.0%	3.7%	2.9%
Due from related parties	0.6	-	0.6	100.0%	0.0%	0.0%
Derivative assets	158.4	-	158.4	100.0%	0.2%	0.0%
Other current assets	1,267.4	778.5	488.9	62.8%	1.4%	0.9%
Total Current Assets	21,040.5	14,528.2	6,512.3	44.8%	23.9%	17.6%
Noncurrent Assets						
Property, plant and equipment	55,968.8	58,995.0	(3,026.2)	-5.1%	63.5%	71.3%
Intangible assets	4,470.9	4,567.1	(96.2)	-2.1%	5.1%	5.5%
Deferred tax assets	1,457.7	486.7	971.0	199.5%	1.7%	0.6%
Exploration and evaluation assets	1,303.2	1,136.9	166.3	14.6%	1.5%	1.4%
Derivative assets	-	0.2	(0.2)	-100.0%	0.0%	0.0%
Other noncurrent assets	3,902.3	3,016.5	885.8	29.4%	4.4%	3.6%
Total Noncurrent Assets	67,102.9	68,202.4	(1,099.5)	-1.6%	76.1%	82.4%
TOTAL ASSETS	88,143.4	82,730.6	5,412.8	6.5%	100.0%	100.0%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Trade and other payables	5,253.3	3,750.0	1,503.3	40.1%	6.0%	4.5%
Income tax payable	155.8	184.9	(29.1)	-15.7%	0.2%	0.2%
Due to related parties	148.2	35.2	113.0	321.0%	0.2%	0.0%
Derivative liabilities	74.5	-	74.5	100.0%	0.1%	0.0%
Current portion of:						
Long-term debts	2,055.2	1,555.4	499.8	32.1%	2.3%	1.9%
Royalty fee payable	315.5	247.3	68.2	27.6%	0.4%	0.3%
Total Current Liabilities	8,002.5	5,772.8	2,229.7	38.6%	9.1%	7.0%
Noncurrent Liabilities						
Long-term debts - net of current portion	49,695.8	39,742.3	9,953.5	25.0%	56.4%	48.0%
Royalty fee payable - net of current portion	48.3	382.1	(333.8)	-87.4%	0.1%	0.5%
Retirement and other post-retirement benefits	1,440.8	1,155.8	285.0	24.7%	1.6%	1.4%
Other long-term liabilities	575.7	253.4	322.3	127.2%	0.7%	0.4%
Total Noncurrent Liabilities	51,760.6	41,533.6	10,227.0	24.6%	58.7%	50.2%
EQUITY						
Equity Attributable to Equity Holders of the Parent						
Preferred stock	93.8	93.8	-	0.0%	0.1%	0.1%
Common stock	18,750.0	18,750.0	-	0.0%	21.3%	22.7%
Common stock in employee trust account	(377.5)	(391.6)	14.1	-3.6%	-0.3%	-0.5%
Additional paid-in capital	6,265.6	6,262.0	3.6	0.1%	7.1%	7.6%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-4.1%	-4.5%
Accumulated unrealized gain on AFS investments	90.9	134.8	(43.9)	-32.6%	0.1%	0.2%
Retained earnings	5,646.6	12,535.4	(6,888.8)	-55.0%	6.4%	15.2%
Cumulative translation adjustment	(0.8)	-	(0.8)	100.0%	0.0%	0.0%
	26,762.2	33,678.0	(6,915.8)	-20.5%	30.5%	40.7%
Non-controlling interest	1,618.1	1,746.2	(128.1)	-7.3%	1.8%	2.1%
Total Equity	28,380.3	35,424.2	(7,043.9)	-19.9%	32.2%	42.8%
TOTAL LIABILITIES AND EQUITY	88,143.4	82,730.6	5,412.8	6.5%	100.0%	100.0%

Assets

Cash and Cash Equivalents

This account increased by 79.3% or ₱5,616.8 million to ₱12,699.2 million as of September 30, 2011 from the ₱7,082.4 million balance as of September 30, 2010 primarily due to the following:

- ₱13,350.0 million proceeds from US\$300 million loan;
- ₱3,262.5 million proceeds from IFC 2nd loan; and
- ₱8,694.9 million cash generated from operations.

The above increases were mainly offset by the:

- ₱9,198.9 million property, plant and equipment acquisitions;
- ₱5,909.3 million prepayment of OECF 9th, 18th, 19th and 21st Yen loans and regular debt servicing;
- ₱3,341.3 million payment of cash dividend by the parent company and FG Hydro in 2011;
- ₱1,306.3 million increase in other noncurrent assets; and
- ₱175.0 million settlement of short-term loans

Trade and Other Receivables

This account decreased by 16.7% or ₱591.9 million to ₱2,949.1 million as of September 30, 2011 from the ₱3,541.0 million balance as of September 30, 2010. The reduction was due to the ₱500.0 million credit notes issued on Unified Leyte's shortfall generation and ₱107.9 million increase in allowance for doubtful accounts.

Available-For-Sale (AFS) Investments

AFS Investments decreased by 6.7% or ₱48.8 million to ₱675.3 million as of September 30, 2011 from the ₱724.1 million balance as of September 30, 2010 mainly due to the continued appreciation of the Peso versus the US Dollar.

Parts and Supplies Inventories

This account increased by 37.0% or ₱888.3 million to ₱3,290.5 million balance as of September 30, 2011 from the ₱2,402.2 million balance for the same period in 2010 due to the procurement of various materials and spare parts for the power plant maintenance and rehabilitation activities.

Due from related parties

The due from related parties ₱0.6 million balance as of September 30, 2011 is mainly attributable to the interest free advances from First Balfour Inc.

Derivative assets

The derivative assets ₱158.4 million balance as of September 30, 2011 pertains to the fair value of the outstanding foreign currency forward and foreign exchange swap contracts.

Other Current Assets

Other current assets increased by 62.8% or ₱488.9 million to ₱1,267.4 million as of September 30, 2011 from the ₱778.5 million posted for the same period in 2010 is attributable to the ₱300.0 million reclassification from non-current assets of the TCC applicable for 2012, ₱123.4 increase in withholding tax certificates and ₱47.3 increase in advances to contractors.

Property, plant and equipment

This account decreased by 5.1% or ₱3,026.2 million to ₱55,968.8 million as of September 30, 2011 from the balance of ₱58,995.0 million as of September 30, 2010 mainly due to the ₱8,388.6 million provision for impairment of NNGP's assets, ₱3,438.5 million depreciation for the period and ₱600.0 million asset retirement/write off. This was offset by ₱9,406.9 million additions.

Deferred Tax Assets - net

This account increased by 199.5% or ₱971.0 million to ₱1,457.7 million as of September 30, 2011 from the balance of ₱486.7 million as of September 30, 2010 mainly due to the recognition of deferred tax assets on the provision for full impairment of NNGP's assets amounting to ₱8,388.6 million.

Exploration and Evaluation Assets

This account increased by 14.6% or ₱166.3 million to ₱1,303.2 million as of September 30, 2011 from the balance of ₱1,136.9 million as of September 30, 2010 primarily due to the expenditures of EDC Burgos Wind Power Corporation for the Burgos Wind Project.

Other Noncurrent Assets

This account increased by 29.4% or ₱885.8 million, to ₱3,902.3 million as of September 30, 2011 from the ₱3,016.5 million as of September 30, 2010 primarily due to the increase of ₱1,151.9 million in Input VAT offset by the ₱300.0 million worth of TCC reclassified to current assets.

Liabilities

Trade and other payables

This account increased by 40.1%, or ₱1,503.3 million, to ₱5,253.3 million as of September 30, 2011 from the balance of ₱3,750.0 million in the same period of 2010 mainly due to the increased accounts payable of ₱1,472.5 million.

Income tax payable

Income tax payable decreased by 15.7% or ₱29.1 million to ₱155.8 million as of September 30, 2011 from ₱184.9 million for the same period in 2010 mainly due to lower taxable income.

Due to related parties

This account increased by 321.0% or ₱113.0 million to ₱148.2 million as of September 30, 2011 from the balance of ₱35.2 million as of September 30, 2010 primarily due to the work fees from the services provided by Themaprime Well Services, Inc. of ₱93.2 million and increase in consultancy fees and advances from First Gen of ₱24.8 million.

Derivative liabilities

The ₱74.5 million balance as of September 30, 2011 pertains to the fair value of the outstanding foreign currency forward and foreign exchange swap contracts with various counterparties.

Long-term debts (current portion)

This account increased by 32.1% or ₱499.8 million to ₱2,055.2 million as of September 30, 2011 from the balance of ₱1,555.4 million as of September 30, 2010 mainly due to the ₱865.0 million reclassification from non-current portion of maturing FCRN and IFC debt obligation in 2012 and also the increase in long-term debt by FG Hydro of ₱147.0 million. These were offset by the ₱512.2 million retirement of OECF 9th, 18th 19th and 21st Yen loans in 2011.

Royalty fee payable (current portion)

This account increased by 27.6 % or ₱68.2 million to ₱315.5 million as of September 30, 2011 from the balance of ₱247.3 million as of September 30, 2010 primarily due to the ₱48.1 million outstanding royalty fees payable in 2011 reclassified to current portion and ₱20.1 million accretion on Day 1 gain recognized from October 1, 2010 to September 30, 2011.

Long-term debt (net of current portion)

Long-term debts, consisting of JPY, US\$ and PHP loans, increased by 25.0% or ₱9,953.5 million to ₱49,695.8 million as of September 30, 2011 from ₱39,742.3 million as of September 30, 2010 due to the following:

- ₱13,350.0 million proceeds from US\$300.0 million notes;
- ₱7,630.0 million refinanced US\$175 club loan; and
- ₱3,262.5 million IFC 2nd loan in 2011

These were offset by the following:

- ₱7,685.7 million settlement of US\$175 million club loan secured in 2010;
- ₱4,364.3 million retirement of OECF 9th, 18th, 19th and 21st Yen in 2011; and
- ₱1,678.5 million reclassification to the current portion of obligations due in 2011 to September 30, 2012 and principal amortization payments of OECF 8th Yen loan, Fixed coupon rate Notes (FCRN) and IFC 1st loan.

Royalty fee payable (net of current portion)

This account decreased by 87.4 % or ₱333.8 million to ₱48.3 million as of September 30, 2011 from the balance of ₱382.1 million as of September 30, 2010 primarily due to the ₱350.0 million outstanding royalty fees payable in 2011 reclassified to current portion reduced by the ₱16.2 million current portion of unamortized Day 1 gain.

Other Long-term liabilities

This account increased by 127.2% or ₱322.3 million to ₱575.7 million as of September 30, 2011 from ₱253.4 million balance as of September 30, 2010 mainly due to the provision for asset retirement of ₱358.6 million. This was offset by the ₱10.6 million settlement of accrued vacation and sick leave benefits of separated employees and ₱25.7 million payment of the 10 days monetized vacation leave of permanent employees in 2011.

Accumulated unrealized gain on AFS investments

This account decreased by 32.6% or ₱43.9 million to ₱90.9 million as of September 30, 2011 from ₱134.8 million as of September 30, 2010 mainly due to the decrease in fair value of the investments for the period.

Retained Earnings

Retained Earnings decreased by 55.0% or ₱6,888.8 million to ₱5,646.6 million as of September 30, 2011 from ₱12,535.4 million balance as of September 30, 2010 mainly due to the net loss of ₱3,010.8 million posted from September 30, 2010 to December 31, 2010 and ₱670.2 million net loss for the first three quarters of 2011 plus ₱3,007.5 million payment of cash dividend this year.

Cumulative translation adjustment

The ₱0.8 million balance as of September 30, 2011 pertains to the loss caused by Chilean Peso vs US Dollar and US Dollar vs Philippine Peso fluctuation of foreign exchange rates in translating the books of EDC Chile Limitada.

Non-controlling Interest

Non-controlling Interest decreased by 7.3% or ₱128.1 million to ₱1,618.1 million as of September 30, 2011 from ₱1,746.2 million balance as of September 30, 2010 mainly due to the net loss of ₱177.1 million posted from September 30, 2010 to December 31, 2010 and ₱133.5 million payment of cash dividend this year. This was offset by ₱182.5 million net income for the first three quarters of 2011.

CASH FLOW

September 30, 2011 vs. September 30, 2010

Net cash flows from operating activities decreased by 24.7% or ₱2,252.3 million to ₱6,875.8 million in the first nine months of 2011 from ₱9,128.1 million during the same period in 2010 mainly due to the decline in operating income of ₱2,310.7 million attributed to lower sales revenue and higher operating expenses.

Net cash flows used in investing activities increased by 56.5% or ₱2,688.6 million to ₱7,448.5 million in September 2011 as compared to the ₱4,760.0 million during the same period in 2010 primarily due to the increase in capital expenditure by ₱3,383.6 million and in other noncurrent assets by ₱754.5 million mainly due to input VAT claims. This was offset by the prior year's payment for acquisition of Bac-Man Geothermal Power Plants amounting to ₱1,279.7 million.

The movement of ₱15,612.6 million, to ₱7,117.0 million on net cash flows from financing activities in September 2011 from the ₱8,495.6 million net cash flows used in financing activities in 2010 was mainly due to the ₱11,183.8 million increase in loan proceeds due to the issuance of US\$300.00 million notes in January 2011, US\$175 million refinanced club loan availed in June 2011 and the ₱3,262.5 million IFC 2nd loan in September. The other contributing factor was the decrease in payment of long terms loans by ₱5,458.1 million. This was offset by the increase in cash dividend payment during the period by ₱845.0 million.

DISCUSSION ON THE SUBSIDIARIES

FG Hydro

September 2011 vs. September 2010 Results

(Amounts in PHP millions)	As of and for the periods ended September 30	
	2011 (Unaudited)	2010 (Unaudited)
Operating revenues	1,306.0	1,863.2
Expenses – net	855.3	739.0
Income before tax	450.7	1,124.2
Provision for (benefit from) income tax	0.7	(16.8)
Net income	450.0	1,141.0
Total current assets	1,698.8	1,982.3
Total noncurrent assets	7,322.4	7,764.8
Total current liabilities	565.7	631.1
Total noncurrent liabilities	4,410.3	4,750.6
Total equity	4,045.2	4,365.4

FG Hydro generated revenues of ₱1,306.0 million for the nine-month period ended September 30, 2011, 29.9% lower than revenues of ₱1,863.2 million for the same period in 2010. The unfavorable variance was mainly on account of the combined effects of significantly lower dispatch and spot prices in the WESM, partly offset by revenues earned from ancillary services for the period July to September 2011 amounting to ₱380.7 million. On the other hand, the increase in expenses is caused by higher depreciation, interest and taxes. Unlike in 2010, the favorable effect of improvements in foreign exchange rates in 2011 did not have an impact on FG Hydro as the US dollar denominated Deferred Payment Facility to PSALM had already been fully paid. Overall, FG Hydro posted a net income of ₱450.0 million for the nine-month period ended September 30, 2011, 60.5% lower than the ₱1,141.0 million reported income for the same period in 2010.

Total assets as of September 30, 2011 stood at ₱9,021.2 million, ₱725.9 million or 7.4% lower than the 2010 level of ₱9,747.1 million. The unfavorable variance was mainly due to lower cash balance in 2011, after debt service, capital expenditures for the PRUP and dividend payment, compared to 2010 when the proceeds of the company's Peso loan was newly drawn.

As of September 30, 2011, total liabilities stood at ₱4,976.0 million, ₱405.7 million or 7.5% lower than the 2010 level of ₱5,381.7 million. The decrease in liabilities was mainly due to the scheduled semi-annual loan repayments, the first one of which was paid in November 2010.

Total equity as of September 30, 2011 of ₱4,045.2 million is ₱320.2 million or 7.3% lower compared to the September 30, 2010 level of ₱4,365.4 million.

Green Core Geothermal Inc.

September 2011 vs. September 2010 Results

(Amounts in PHP millions)	As of and for the periods ended September 30	
	2011	2010
Revenues	6,148.4	5,060.0
Operating expenses	(6,214.5)	(4,969.6)
Other charges - net	(391.2)	(390.8)
Loss before income tax	(457.3)	(300.4)
Benefit from income tax	45.8	30.3
Net loss	(411.5)	(270.1)
Total Current Assets	1,624.8	1,455.4
Total Non-Current Assets	9,784.0	9,456.9
Total Current Liabilities	8,108.3	6,968.6
Total Equity	3,300.5	3,943.7

GCGI's revenues increased by 21.5% or ₱1,088.4 million, to ₱6,148.4 million as of September 30, 2011 from ₱5,060.0 for the same period in 2010 mainly due to increase in average tariff by ₱0.701/kWh and higher sales volume by 20.2 GWh.

Operating expenses increased by 25.1% or ₱1,244.9 million, to ₱6,214.5 million as of September 30, 2011 from ₱4,969.6 million for the same period in 2010 mainly due to higher cost of steam provided by the Parent Company to GCGI's power plants on account of higher average cost by ₱0.592/kWh and this period's metering adjustment on Tongonan I's actual generation (₱905.9 million). The increase is also due to higher operations & maintenance (₱176.9 million), purchased services & utilities (₱99.0 million) and general & administrative expenses (₱61.0 million).

Other charges – net in 2011 of ₱391.2 million almost approximate last period's ₱390.8 million while benefit from income tax increased by 51.2% or ₱15.5 million, to ₱45.8 million in 2011 from ₱30.3 million in 2010 due mainly to higher operating loss.

Total current assets increased by 11.6% or ₱169.4 million, to ₱1,624.8 million in 2011 from ₱1,455.4 million in 2010 due to higher cash & cash equivalents (₱136.2 million), other current assets (₱91.9 million) and trade & other receivables (₱65.7 million) offset by the decrease in parts & supplies inventories (₱128.4 million).

Total noncurrent assets increased by 3.5% or ₱327.1 million, to ₱9,784.0 million in 2011 from ₱9,456.9 million in 2010 due to higher property, plant & equipment (₱178.4 million), other noncurrent assets (₱81.8 million) and deferred tax asset (₱66.9 million).

Total liabilities increased by 16.4% or ₱1,139.7 million, to ₱8,108.3 million in 2011 from ₱6,968.6 million in 2010 owing to the increase in due to related party (₱800.9 million) and trade & other payable (₱338.8 million).

Total equity decreased by 16.3% or ₱643.2 million, to ₱3,300.5 million in 2011 from ₱3,943.7 million in 2010 due to the net loss for the period October 1, 2010 to September 30, 2011.

Bac-Man Geothermal Inc.

September 2011 vs September 2010 Results

(Amounts in PHP millions)	As of and for the periods ended September 30	
	2011	2010
Expenses	(23.1)	(2.5)
Other income	0.8	0.2
Operating loss	(22.3)	(2.3)
Benefit from income tax	2.2	0.0
Net loss	(20.1)	(2.3)
Total Current Assets	155.3	92.8
Total Non-Current Assets	2,824.6	1,221.8
Total Current Liabilities	3,032.1	1,316.6
Total Equity	(52.2)	(2.0)

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

As of the third quarter of 2011, BGI has yet to start commercial operations.

The valuation of the Bac-Man geothermal power plants including the identification and valuation of any other identifiable assets was finalized in September 2011. The final fair values of the net assets acquired as of September 2010 are parts and supplies inventories amounting to ₱76.0 million and property, plant, and equipment equivalent to ₱1,203.7 million.

The increase in expenses pertain primarily to higher general and administrative costs (₱22.6 million) from higher employee costs and quarterly issuance costs for the performance bond issued pending execution of the Deed of Assignment between PSALM, NPC, EDC, and BGI.

Current assets increased resulting from advances made to contractors on purchase of services (₱48.2 million), and prepaid expenses (₱12.0 million) acquired during the year. The bulk of non-current assets are property, plant, and equipment (₱2,655.7 million) from the continued rehabilitation of the power plant.

Liabilities pertain to the cash support EDC provides BGI (₱2,912.2 million), payables to other related parties (₱10.9 million), and trade and other payables (₱109.1 million). The increase during the year results from the purchases related to the power plant rehabilitation.

Equity consists of common stocks (₱0.3 million) and a deficit in unappropriated retained earnings (₱52.5 million).

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

As of September 30, 2011, the company has unserved purchase orders and awarded contracts for the purchase of various capital goods in the total amount of ₱943.3 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 ₱20,500.6 million in long-term US dollar and Yen denominated loans as of September 30, 2011, of which 99.9% is US dollar denominated.

To partially mitigate foreign exchange risk in interest payment, the Company entered into a forward foreign currency contract with Deutsche Bank and swaps its US\$134.0 million into Peso as the interest rate in peso placement is higher than dollar placement. The interest on US dollar loan is due semi-annually.

OTHER MATTERS

CASH DIVIDEND

In June 2011, FG Hydro paid cash dividends amounting to ₱333.8 million to its preferred redeemable shares.

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

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

MAJOR STOCKHOLDERS

As of September 30, 2011, the total number of stockholders was 704 and the stock price was ₱5.65.

List of Top 20 Stockholders as of September 30, 2011

Rank	Name	Nationality	Number of Shares			%
			Preferred	Common	Total	
1	Red Vulcan Holdings Corporation	Filipino	9,375,000,000	7,500,000,000	16,875,000,000	60.00%
2	PCD Nominee Corporation	Foreign		7,567,378,476	7,567,378,476	26.91%
3	PCD Nominee Corporation	Filipino		2,554,203,337	2,554,203,337	9.82%
4	First Gen Corporation	Filipino		983,182,700	983,182,700	3.50%
5	Spathodea Campanulata, Inc.	Filipino		100,000,000	100,000,000	0.36%
6	Federico R. Lopez	Filipino		7,092,501	7,092,501	0.03%
7	Peter D. Garrucho, Jr.	Filipino		5,545,000	5,545,000	0.02%
8	Ernesto B. Rufino, Jr.	Filipino		3,775,000	3,775,000	0.01%
9	Benjamin K. Liboro	Filipino		3,525,500	3,525,500	0.01%
10	Hi-Light Corporation	Filipino		1,577,500	1,577,500	0.01%
11	Mapazon Corporation	Filipino		1,470,000	1,470,000	0.01%
12	CROSLO Holdings Corporation	Filipino		1,100,000	1,100,000	0.00%
13	Arthur A. Deguia	Filipino		950,000	950,000	0.00%
14	ALG Holdings Corporation	Filipino		875,000	875,000	0.00%
15	Ronaldo C. Sabella	Filipino		818,750	818,750	0.00%
16	Rosalind Camara	Filipino		663,750	663,750	0.00%
17	Rodolfo R. Waga, Jr.	Filipino		658,750	658,750	0.00%
18	Rodolfo R. Waga, Jr. &/or Grace B. Waga	Filipino		501,200	501,200	0.00%
19	Peter Mar &/or Annabelle C. Mar	Filipino		500,000	500,000	0.00%
20	Ma. Consuelo R. Lopez	Filipino		500,000	500,000	0.00%

BOARD OF DIRECTORS

As of September 30, 2011, the members of Board of Directors of EDC are as follows:

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

OFFICERS

As of September 30, 2011, the officers of EDC are as follows:

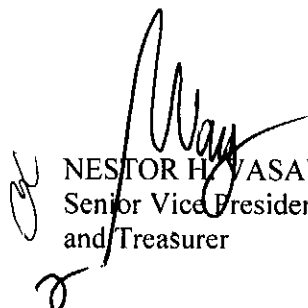
Name	Position
Federico R. Lopez	Chief Executive Officer
Richard B. Tantoco	President and Chief Operating Officer
Ernesto B. Pantangco	Executive Vice President
Agnes C. de Jesus	Senior Vice President for Environmental and External Affairs and Compliance Officer
Nestor H. Vasay	Senior Vice President, Chief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

SIGNATURES

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

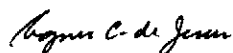
Registrant

ENERGY DEVELOPMENT CORPORATION



NESTOR H. VASAY
Senior Vice President, Chief Financial Officer
and Treasurer

November 10, 2011
Date Signed



AGNES C. DE JESUS
Senior Vice President for Environmental and
External Affairs and Compliance Officer

November 10, 2011
Date Signed

Annex I

Energy Development Corporation
(A Subsidiary of Red Vulcan Holdings Corporation)
and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
For the Nine-Month Periods Ended September 30, 2011 and 2010
(With Comparative Figures as of December 31, 2010)

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

UNAUDITED INTERIM CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2011 AND 2010
(With Comparative Figures as of December 31, 2010)

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited, except as Restated, Note 33)	September 30, 2010 (Restated, Unaudited, Note 33)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 5 and 32)	₱12,699,182,531	₱6,157,925,132	₱7,082,360,583
Trade and other receivables (Notes 6 and 32)	2,949,128,079	4,602,047,375	3,541,046,037
Available-for-sale (AFS) investments (Note 32)	675,255,400	707,524,992	724,130,139
Parts and supplies inventories (Notes 7 and 33)	3,290,510,046	2,653,467,757	2,402,194,777
Due from related parties (Notes 24 and 32)	603,648	-	-
Derivative assets (Note 32)	158,419,378	-	-
Other current assets	1,267,314,656	733,797,284	778,400,344
Total Current Assets	21,040,413,738	14,854,762,540	14,528,131,880
Noncurrent Assets			
Property, plant and equipment (Notes 8 and 33)	55,968,768,332	56,603,137,672	58,994,952,015
Goodwill and water rights (Note 9)	4,470,898,559	4,543,041,926	4,567,089,716
Deferred tax assets - net (Notes 8, 23 and 33)	1,457,745,094	893,702,182	486,736,974
Exploration and evaluation assets	1,303,157,879	1,170,407,115	1,136,932,812
Derivative assets (Note 32)	-	-	236,368
Other noncurrent assets (Note 10)	3,902,172,313	3,238,541,427	3,016,413,777
Total Noncurrent Assets	67,102,742,177	66,448,830,322	68,202,361,662
TOTAL ASSETS	₱88,143,155,915	₱81,303,592,862	₱82,730,493,542

LIABILITIES AND EQUITY

Current Liabilities

Loan payable (Note 32)	₱-	₱175,000,000	₱-
Trade and other payables (Notes 11 and 32)	5,253,252,468	5,123,491,686	3,750,030,677
Income tax payable	155,757,439	71,247,509	184,903,098
Due to related parties (Notes 24 and 32)	148,160,402	335,650,484	35,182,762
Derivative liabilities (Note 32)	74,503,957	-	-
Current portion of:			
Long-term debts (Notes 13 and 32)	2,055,224,478	1,527,248,370	1,555,374,771
Royalty fee payable (Notes 12 and 32)	315,514,708	254,155,199	247,327,173
Total Current Liabilities	8,002,413,452	7,486,793,248	5,772,818,481

(Forward)

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited, except as Restated, Note 33)	September 30, 2010 (Restated, Unaudited, Note 33)
Noncurrent Liabilities			
Long-term debts - net of current portion (Notes 13 and 32)	₱49,695,800,701	₱39,678,699,478	₱39,742,312,527
Royalty fee payable - net of current portion (Notes 12 and 32)	48,318,448	300,628,373	382,157,331
Net retirement and other post-employment benefits	1,440,777,462	1,307,137,045	1,155,845,991
Other long-term liabilities (Note 8)	575,697,239	291,353,661	253,351,742
Total Noncurrent Liabilities	51,760,593,850	41,577,818,557	41,533,667,591
Total Liabilities	59,763,007,302	49,064,611,805	47,306,486,072
Equity			
Attributable to equity holders of the Parent Company:			
Preferred stock (Note 14)	93,750,000	93,750,000	93,750,000
Common stock (Note 14)	18,750,000,000	18,750,000,000	18,750,000,000
Common shares in employee trust account	(377,483,019)	(379,219,785)	(391,643,364)
Additional paid-in capital	6,265,571,968	6,266,099,283	6,261,957,052
Equity reserve	(3,706,430,769)	(3,706,430,769)	(3,706,430,769)
Net accumulated unrealized gains on AFS investments	90,902,139	119,718,797	134,805,593
Cumulative translation adjustment	(818,886)	1,370,000	-
Retained earnings	5,646,593,563	9,524,603,810	12,535,397,538
	26,762,084,996	30,669,891,336	33,677,836,050
Non-controlling interest	1,618,063,617	1,569,089,721	1,746,171,420
Total Equity	28,380,148,613	32,238,981,057	35,424,007,470
TOTAL LIABILITIES AND EQUITY	₱88,143,155,915	₱81,303,592,862	₱82,730,493,542

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2011 AND 2010

	Three-month Periods Ended		Nine-month Periods Ended	
	September 30		September 30	
	2011	2010	2011	2010
REVENUES (Note 4)				
Sale of electricity	₱6,290,586,632	₱5,785,103,600	₱17,699,362,656	₱17,526,494,046
Sale of steam	–	324,086,137	–	1,210,127,475
Drilling services	195,609,796	190,936,065	522,321,325	585,103,821
	6,486,196,428	6,300,125,802	18,221,683,981	19,321,725,342
OPERATING EXPENSES				
Operations and maintenance (Note 16)	(1,284,681,556)	(1,195,909,349)	(8,836,963,160)	(3,534,122,972)
General and administrative (Note 17)	(810,606,111)	(826,690,763)	(2,877,541,411)	(2,798,340,226)
Purchased services and utilities (Note 15)	(575,669,931)	(554,398,825)	(1,622,928,314)	(1,316,165,117)
Depreciation and amortization (Notes 4 and 8)	(816,807,138)	(855,407,369)	(2,632,779,385)	(2,543,120,781)
	(3,487,764,736)	(3,432,406,306)	(15,970,212,270)	(10,191,749,096)
FINANCIAL INCOME (EXPENSES)				
Interest income (Notes 4 and 20)	63,343,894	36,140,575	281,217,028	260,462,624
Interest expense (Notes 4 and 19)	(945,312,694)	(1,093,807,546)	(3,260,238,922)	(2,878,988,118)
	(881,968,800)	(1,057,666,971)	(2,979,021,894)	(2,618,525,494)
OTHER INCOME (CHARGES) (Note 4)				
Foreign exchange gains (losses) - net (Note 18)	(285,517,229)	414,329,986	(48,683,289)	104,627,482
Derivative gains - net (Note 32)	116,481,020	204,091	107,507,535	437,232,719
Miscellaneous - net (Note 21)	6,343,758	10,946,811	18,802,772	1,641,505,145
	(162,692,451)	425,480,888	77,627,018	2,183,365,346
INCOME (LOSS) BEFORE INCOME TAX	1,953,770,441	2,235,533,413	(649,923,165)	8,694,816,098
BENEFIT FROM (PROVISION FOR) INCOME TAX				
Current	(155,757,439)	(146,597,466)	(402,833,122)	(406,455,175)
Deferred (Notes 8 and 23)	11,148,584	(133,109,326)	565,035,180	(705,466,619)
	(144,608,855)	(279,706,792)	162,202,058	(1,111,921,794)
NET INCOME (LOSS)	₱1,809,161,586	₱1,955,826,621	(₱487,721,107)	₱7,582,894,304
Net income (loss) attributable to:				
Equity holders of the Parent Company	₱1,660,871,742	₱2,012,219,793	(₱670,221,100)	₱7,126,484,001
Non-controlling interest	148,289,844	(56,393,172)	182,499,993	456,410,303
	₱1,809,161,586	₱1,955,826,621	(₱487,721,107)	₱7,582,894,304
Basic/Diluted Earnings (Loss) Per Share for Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 22)	₱0.088	₱0.107	(₱0.036)	₱0.380

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2011 AND 2010

	Three-month Periods Ended		Nine-month Periods Ended	
	September 30		September 30	
	2011	2010	2011	2010
Net income (loss)	₱1,809,161,586	₱1,955,826,621	(₱487,721,107)	₱7,582,894,304
Other comprehensive income (loss)				
Changes in fair value of AFS investments recognized in equity	(15,876,699)	9,099,306	(28,816,658)	21,628,270
Cumulative translation adjustment	(2,188,886)	—	(2,188,886)	—
Total comprehensive income (loss)	₱1,791,096,001	₱1,964,925,927	(₱518,726,651)	₱7,604,522,574
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company	₱1,642,806,157	₱2,021,319,099	(₱701,226,644)	₱7,148,112,271
Non-controlling interest	148,289,844	(56,393,172)	182,499,993	456,410,303
	₱1,791,096,001	₱1,964,925,927	(₱518,726,651)	₱7,604,522,574

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2011 AND 2010

	Equity Attributable to Equity Holders of the Parent Company										Non-controlling Interest	Total Equity
	Preferred Stock (Note 14)	Common Stock (Note 14)	Common Shares in Trust Account	Additional Paid-in Capital	Equity Reserve	Net Accumulated Unrealized Gain on AFS Investments	Cumulative Translation Adjustment	Retained Earnings	Subtotal			
Balances, December 31, 2009 (Audited)	₱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:												
Net income	-	-	-	-	-	-	-	7,126,484,001	7,126,484,001	456,410,303	7,582,894,304	
Changes in fair value of AFS investments recognized in equity	-	-	-	-	-	21,628,270	-	-	21,628,270	-	21,628,270	
	-	-	-	-	-	21,628,270	-	7,126,484,001	7,148,112,271	456,410,303	7,604,522,574	
Documentary stamp tax on:												
Preferred shares subscriptions	-	-	-	-	-	-	-	(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 28)	-	-	-	-	-	-	-	(2,256,333,333)	(2,256,333,333)	-	(2,256,333,333)	
Cash dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	(240,000,000)	(240,000,000)	
Balances, September 30, 2010 (Unaudited)	₱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	

Equity Attributable to Equity Holders of the Parent Company

	Preferred Stock (Note 14)	Common Stock (Note 14)	Common Shares in Employee Trust Account	Additional Paid-in Capital	Equity Reserve	Net Accumulated Unrealized Gain on AFS Investments	Cumulative Translation Adjustment	Retained Earnings	Subtotal	Non-controlling Interest	Total Equity
Balances, December 31, 2010 (Audited)	₱93,750,000	₱18,750,000,000	(₱379,219,785)	₱6,266,099,283	(₱3,706,430,769)	₱119,718,797	₱1,370,000	₱9,524,603,810	₱30,669,891,336	₱1,569,089,721	₱32,238,981,057
Total comprehensive income (loss):											
Net income (loss)	-	-	-	-	-	-	-	(670,221,100)	(670,221,100)	182,499,993	(487,721,107)
Changes in fair value of AFS investments recognized in equity	-	-	-	-	-	(28,816,658)	-	-	(28,816,658)	-	(28,816,658)
Cumulative translation adjustment	-	-	-	-	-	-	(2,188,886)	-	(2,188,886)	-	(2,188,886)
	-	-	-	-	-	(28,816,658)	(2,188,886)	(670,221,100)	(701,226,644)	182,499,993	(518,726,651)
Cash dividends (Note 28)	-	-	-	-	-	-	-	(3,007,500,000)	(3,007,500,000)	-	(3,007,500,000)
Effect of issuance and declaration of dividends on preferred shares to NCI (Note 14)	-	-	-	-	-	-	-	(200,289,146)	(200,289,146)	200,289,146	-
Cash dividend - FG Hydro's preferred shares (Notes 14 and 28)	-	-	-	-	-	-	-	-	-	(333,815,244)	(333,815,244)
Share-based payment	-	-	1,736,766	464,953	-	-	-	-	2,201,719	-	2,201,719
Deferred income tax effect of share-based payment	-	-	-	(992,268)	-	-	-	-	(992,268)	-	(992,268)
Balances, September 30, 2011 (Unaudited)	₱93,750,000	₱18,750,000,000	(₱377,483,019)	₱6,265,571,968	(₱3,706,430,769)	₱90,902,139	(₱818,886)	₱5,646,593,564	₱26,762,084,997	₱1,618,063,616	₱28,380,148,613

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2011 AND 2010

	September 30, 2011	September 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(₱649,923,165)	₱8,694,816,098
Adjustments for:		
Impairment loss on property, plant and equipment of Northern Negros Geothermal Project (NNGP) (Notes 4, 8 and 16)	4,998,608,008	—
Interest expense (Notes 4 and 19)	3,260,238,922	2,878,988,118
Depreciation and amortization (Notes 4 and 8)	2,632,779,385	2,543,120,781
Provision for:		
Retirement and post-employment benefits	212,830,273	245,936,342
Share-based benefits cost	2,201,719	—
Doubtful accounts	—	17,220,812
Reversal of impairment of parts and supplies inventories	—	(17,175,817)
“Day 1” loss on security deposits (Note 21)	6,078,723	—
Loss on retirement of property, plant and equipment	6,775,880	2,469,565
Recovery of impairment loss on input value-added tax (VAT) claims	—	(1,638,885,544)
Interest income (Notes 4 and 20)	(281,217,028)	(260,462,624)
Unrealized foreign exchange gains - net	(177,643,991)	(237,856,610)
Derivative losses (gains) - net (Note 32)	(83,915,421)	9,364,622
Operating income before working capital changes	9,926,813,305	12,237,535,743
Decrease (increase) in:		
Trade and other receivables	914,353,720	1,414,911,184
Due from related parties	(603,648)	—
Parts and supplies inventories	(702,171,632)	(362,114,381)
Other current assets	79,286,473	(122,155,769)
Increase (decrease) in:		
Trade and other payables	(167,441,186)	(174,927,112)
Due to related parties	(145,695,637)	(501,837,448)
Royalty fees payable	(216,312,202)	(226,749,586)
Cash generated from operations	9,688,229,193	12,264,662,631
Interest and financing charges paid	(2,731,686,727)	(2,609,960,674)
Income taxes paid including creditable withholding taxes	(747,506)	(199,452,058)
Retirement and other post-employment benefits paid	(80,000,000)	(327,187,498)
Net cash flows from operating activities	6,875,794,960	9,128,062,401

	September 30, 2011	September 30, 2010
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment (Note 8)	(6,695,153,475)	(3,311,600,921)
Payment for acquisition of Bac-Man Geothermal Power Plants	–	(1,279,725,000)
Interest received	294,482,856	211,380,118
Decrease (increase) in:		
Exploration and evaluation assets	(12,225,900)	(98,880,541)
Other noncurrent assets	(1,035,643,756)	(281,128,908)
Net cash used in investing activities	(7,448,540,275)	(4,759,955,252)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for:		
Short-term loans	(₱175,000,000)	(₱452,950,000)
Long-term debts (Note 13)	(13,534,852,507)	(18,992,961,348)
Cash dividends (Note 28)	(3,341,315,244)	(2,496,333,333)
Documentary stamp	–	(4,647,271)
Proceeds from:		
Short-term loans	–	463,840,000
Long-term debts (Note 13)	24,242,500,000	13,058,750,000
Decrease in other long-term liabilities	(74,283,283)	(71,309,995)
Net cash flows from (used in) financing activities	7,117,048,966	(8,495,611,947)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,544,303,651	(4,127,504,798)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(3,046,252)	(11,031,776)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,157,925,132	11,220,897,157
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Notes 5 and 32)	₱12,699,182,531	₱7,082,360,583

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

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

1. Corporate Information

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

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

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

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

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

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

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

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

The Parent Company operates 12 geothermal projects in five geothermal service contract areas, namely Tongonan Geothermal Project (TGP), Southern Negros Geothermal Project (SNGP), Bacon-Manito Geothermal Project (BMGP), Mt. Apo Geothermal Project (MGP) and Northern Negros Geothermal Project (NNGP) 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 (GRESs) on October 23, 2009 under the following project names and DOE Certificate of Registrations:

- Tongonan Geothermal Project, Under DOE Certificate of Registration No. GRES 2009-10-001
- Southern Negros Geothermal Project, Under DOE Certificate of Registration No. GRES 2009-10-002
- Bacon-Manito Geothermal Project, Under DOE Certificate of Registration No. GRES 2009-10-003
- Mt. Apo Geothermal Project, Under DOE Certificate of Registration No. GRES 2009-10-004
- Northern Negros Geothermal Project, Under DOE Certificate of Registration No. GRES 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 sells electricity to Iloilo 1 Electric Cooperative (ILECO) under the Electricity Sales Agreement (ESA) and by September 2011, the ESA was already assigned to GCGI. Separately, it also has drilling activities in Papua New Guinea.

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

On October 20 and November 17, 2008, in line with its objective of focusing on renewable energy, the Parent Company acquired a total of 60% interest in FG Hydro from First Gen. FG Hydro operates the 132 Megawatt (MW) Pantabangan and Masiway Hydro-Electric Power Plants (PAHEP/MAHEP) located in Nueva Ecija, Philippines. FG Hydro buys from and sells electricity to the Wholesale Electricity Spot Market (WESM) and to various distribution utilities under the Transition Power Supply Contracts (TPSCs).

EGC 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 EGC is concerned other than being the investment holding company of its wholly owned subsidiaries, namely GCGI, BGI, ULGEI, SNGI, EMGI, BEDC and KGC. It also has a 0.01% stake in EDC Chile Limitada.

On March 8, 2011, the SEC approved the change of First Luzon Geothermal Energy Corporation's corporate name to EGC.

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

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

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

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

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

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

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

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

On September 22 and 28, 2011, the Philippine SEC approved the incorporation of BEDC and KGI, wholly owned subsidiaries of EGC, to carry on the general business of generating, transmitting, and/or distributing energy derived from any and all forms, types and kinds of energy sources for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities and electric cooperatives.

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

The unaudited interim condensed consolidated financial statements of the Company were reviewed and approved by the Audit and Governance Committee on November 3, 2011, which was authorized by the Parent Company's Board of Directors (BOD) to review, approve and authorize release of interim consolidated financial statements on September 6, 2011.

2. Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required in the annual consolidated financial statements, and should be read in conjunction with the Company's audited annual consolidated financial statements as of and for the year ended December 31, 2010.

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

To comply with SEC memo 3 Series 2011 Guidelines on the Implementation of PFRS 9, *Financial Instruments: Recognition and Measurement*, we disclose the following:

- 1) As of September 30, 2011, after consideration of the result of its impact evaluation, the company has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2011 annual financial reporting;
- 2) It shall conduct in early 2012 another impact evaluation using the outstanding balances of financial statements as of December 31, 2011.

The decision not to early adopt was greatly affected by the exposure draft (ED) published on August 4 by the International Accounting Standards Board (IASB), proposing to defer the mandatory effective date of IFRS 9, *Financial Instruments*, to annual periods beginning on or after January 1, 2015. Because of this, the Company is considering to adopt PFRS 9 by January 1, 2013.

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 audited annual consolidated financial statements as of and for the year ended December 31, 2010, except for the adoption of the following new and amended accounting standards that became effective beginning January 1, 2011.

- PAS 24, *Related Party Disclosures (Amended)*
The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.
- PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issue*
The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative

equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- **Philippine Interpretation IFRIC 14 (Amendment) - *Prepayments of a Minimum Funding Requirement***
The amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.
- **Philippine Interpretation IFRIC 19 - *Extinguishing Financial Liabilities with Equity Instruments***
Philippine Interpretation IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in consolidated statement of income.

Improvements to PFRS (issued in May 2010)

- PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Reporting*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

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 Parent Company's 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 purchases from the WESM and sales with various distribution utilities covered by Bilateral Contract Quantities (BCQ) and GCGI's sales to and purchases from the WESM and sales to various NPC-assigned customers and contracted customers covered by Power Supply Contracts and Power Supply Agreement (PSAs), respectively.
- b. Steam segment - These relate to sale of steam to NPC plants covered by SSAs. The remaining agreements are those for the Bac-Man geothermal production steam fields.

c. All other segments - These relate to segment performing drilling services for Lihir Gold Ltd.

The Company has one geographical segment since it derives principally all its revenues from domestic operations. Revenue from drilling services outside the Philippines is not material. Management monitors the operating results of the business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Finance costs, finance income, income taxes and other charges and income are managed on a group basis. All of the Company's operations are in the Philippines and revenues generated are from domestic operations except for revenue from drilling services, included in "All Other Segments" category, which is from foreign services rendered to Lihir Gold Ltd.

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

NPC is the main customer for the electricity segment which comprised 57% of the total electricity revenue for the period ended September 30, 2011 and 61% for the period ended September 30, 2010 and is the only external customer for the steam segment, particularly for the BMGPP. Following the acquisition by BGI of these power plants in September 2010, the billings and collections by EDC were temporarily waived until June 30, 2011. The Company has written a letter to PSALM for the extension of the waiver. The management believes that it will get the waiver although no reply has been received as of November 3, 2011.

Financial information on the operating segments are summarized as follows:

	Electricity	Steam	All Other Segments	Eliminations	Total
Period Ended September 30, 2011					
Segment revenue from external customers	₱17,699,362,655	₱-	₱522,321,326	₱-	₱18,221,683,981
Intersegment revenue	200,907,409	4,850,479,463	-	(5,051,386,872)	-
Total segment revenue	17,900,270,064	4,850,479,463	522,321,326	(5,051,386,872)	18,221,683,981
Segment expenses	(17,590,473,162)	(2,905,708,162)	(489,738,353)	5,051,386,872	(15,934,532,805)
Segment results	₱309,796,902	₱1,944,771,301	₱32,582,973	₱-	2,287,151,176
Unallocated segment expenses					(35,679,465)
Unallocated interest income					281,217,028
Unallocated interest expense					(3,260,238,922)
Unallocated other income - net					77,627,018
Unallocated income taxes					162,202,058
Net loss					(₱487,721,107)
EBITDA	₱7,770,902,370	₱2,498,249,327	₱ 46,545,455	₱-	₱10,315,697,152
Unallocated expenses					(35,466,346)
					₱10,280,230,806

	Electricity	Steam	All Other Segments	Eliminations	Total
Period Ended September 30, 2010, As Restated					
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
EBITDA	₱8,433,091,815	₱3,189,348,141	₱64,456,795	₱-	₱11,686,896,751
Unallocated expenses					(13,754,729)
					₱11,673,142,022

	Electricity	Steam	All Others	Eliminations	Total
As of and for the period ended September 30, 2011					
Segment assets	₱58,231,542,841	₱11,011,815,787	₱3,041,279,046	₱-	₱72,284,637,674
Unallocated corporate assets					15,858,518,241
Total assets					₱88,143,155,915
Segment liabilities	₱34,869,479,237	₱18,806,771,286	₱1,527,009,918	₱-	₱55,203,260,441
Unallocated corporate liabilities					4,559,746,861
Total liabilities					₱59,763,007,302
Capital expenditure	₱3,538,611,487	₱2,634,960,944	₱75,204,389	₱-	₱6,248,776,820
Unallocated capital expenditure					456,733,819
Total capital expenditure					₱6,705,510,639
Depreciation and amortization	(₱2,333,866,535)	(₱284,737,249)	(₱13,962,482)	₱-	(₱2,632,566,266)
Unallocated depreciation and amortization					(213,119)
Total depreciation and amortization					(₱2,632,779,385)
Impairment loss	(₱4,998,608,008)	₱-	₱-	₱-	(₱4,998,608,008)
Other non-cash items	(₱276,935,798)	(₱329,476,987)	(₱198,180)	₱-	(₱606,610,965)
Unallocated non-cash items					176,717,559
Total other non-cash items					(₱429,893,406)

As of and for the year ended December 31, 2010 , As Restated					
Segment assets	₱61,887,182,131	₱8,739,317,275	₱2,428,724,612	₱-	₱73,055,224,018
Unallocated corporate assets					8,248,368,844
Total assets					₱81,303,592,862
Segment liabilities	₱29,974,801,728	₱14,735,627,501	₱1,375,234,436	₱-	₱46,085,663,665
Unallocated corporate liabilities					2,978,948,140
Total liabilities					₱49,064,611,805
Capital expenditure	₱4,960,911,113	₱1,916,413,339	₱125,180,894	₱-	₱7,002,505,346
Unallocated capital expenditure					91,205,270
Total capital expenditure					₱7,093,710,616
Depreciation and amortization	(₱3,165,734,160)	(₱275,082,901)	(₱4,164,781)	₱-	(₱3,444,981,842)
Unallocated depreciation and amortization					(22,788)
Total depreciation and amortization					(₱3,445,004,630)
Impairment loss	₱3,390,000,000	₱-	₱-	₱-	₱3,390,000,000
Other non-cash items	(₱3,640,935,233)	(₱181,051,208)	(₱4,297,625)	₱-	(₱3,826,284,066)
Unallocated non-cash items					1,689,402,806
Total other non-cash items					(₱2,136,881,260)

	Electricity	Steam	All Others	Eliminations	Total
As of and for the period ended					
September 30, 2010, As Restated					
Segment assets	₱64,319,524,986	₱7,795,041,697	₱2,386,765,827	₱-	₱74,501,332,510
Unallocated corporate assets					8,229,161,032
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
					₱1,619,328,842

The following table shows the Company's reconciliation of EBITDA to the consolidated net income (loss) for the periods ended September 30, 2011 and 2010.

	2011	2010
EBITDA	₱10,280,230,806	₱11,673,142,022
Add (Deduct):		
Depreciation and amortization (Note 8)	(2,632,779,385)	(2,543,120,781)
Impairment loss on property, plant and equipment of NNGP (Notes 8 and 16)	(4,998,608,008)	-
Provision for doubtful accounts on trade receivables (Note 6 and 17)	(99,295,933)	(12,389,232)
Provision for unrecoverable input VAT (Notes 10 and 17)	(118,281,178)	(4,831,580)
Reduction in allowance (provision for) impairment of parts and supplies (Notes 7, 16 and 17)	(179,794,591)	17,175,817
Interest income (Note 20)	281,217,028	260,462,624
Interest expense (Note 19)	(3,260,238,922)	(2,878,988,118)
Foreign exchange gains (losses) – net (Note 18)	(48,683,289)	104,627,482
Derivatives gains - net	107,507,535	437,232,719
Provision for (benefit from) income tax	162,202,058	(1,111,921,794)
Miscellaneous – net (Note 21)	18,802,772	1,641,505,145
Consolidated net income (loss)	(₱487,721,107)	₱7,582,894,304

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

Unallocated expenses pertain to expenses of the corporate, technical and administrative support groups while unallocated corporate assets and liabilities which include among others certain cash and cash equivalents, property, plant and equipment, parts and supplies inventories, trade and other payables, and retirement and post-employment benefits, 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, 2011 (Unaudited)	December 31, 2010 (Audited)	September 30, 2010 (Unaudited)
Cash on hand and in banks	₱867,235,811	₱425,895,226	₱526,137,022
Cash equivalents	11,831,946,720	5,732,029,906	6,556,223,561
	₱12,699,182,531	₱6,157,925,132	₱7,082,360,583

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

6. Trade and Other Receivables

This account consists of the following:

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)	September 30, 2010 (Unaudited)
Trade	₱2,938,731,313	₱4,449,033,196	₱3,397,428,637
Others:			
Non-trade accounts receivable	28,826,614	73,070,811	57,979,037
Loans and notes receivables	59,552,998	61,297,851	62,585,956
Advances to employees	40,864,256	30,389,460	31,840,941
Employee receivables	10,921,652	18,728,878	13,001,870
Claims receivable	133,971	133,971	196,710
Total other receivables	140,299,491	183,620,971	165,604,514
	3,079,030,804	4,632,654,167	3,563,033,151
Less allowance for doubtful accounts	129,902,725	30,606,792	21,987,114
	₱2,949,128,079	₱4,602,047,375	₱3,541,046,037

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 the sale of steam and majority of the revenues from sale of electricity were derived from NPC. Additional impairment loss recognized in 2011 amounted to ₱99.3 million (see Note 17).

The rollforward analysis of allowance for doubtful accounts on trade receivables as presented below is based on specific impairment.

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)	September 30, 2010 (Unaudited)
Balance at beginning of year	₱30,606,792	9,597,882	₱9,597,882
Provision for doubtful accounts (Note 17)	99,295,933	21,008,910	12,389,232
Balance at end of year	₱129,902,725	30,606,792	₱21,987,114

7. Parts and Supplies Inventories

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited, except as Restated, Note 33)	September 30, 2010 (Restated, Unaudited, Note 33)
On hand:			
Drilling tubular products and equipment spares	₱1,608,106,907	₱784,091,559	₱731,210,579
Power plant spares	744,128,832	510,566,751	841,454,127
Pump, production/steam gathering system, steam turbine, valves and valve spares	303,343,921	378,024,500	269,345,493
Chemical, chemical products, gases and catalyst	133,520,350	378,798,354	161,130,293
Electrical, cable, wire product and compressor spares	83,190,006	102,394,673	54,848,284
Heavy equipment spares	90,646,650	51,758,570	55,834,948
Automotive, mechanical, bearing, seals, v-belt, gasket, tires and batteries	40,336,562	92,344,107	31,788,547
Measuring instruments, indicators and tools, safety equipment and supplies	34,271,503	50,870,815	33,966,634
Construction and hardware supplies, stationeries and office supplies, hoses, communication and other spares and supplies	16,949,069	29,463,704	18,438,822
	3,054,493,800	2,378,313,033	2,198,017,727
In transit	236,016,246	275,154,724	204,177,050
	₱3,290,510,046	₱2,653,467,757	₱2,402,194,777

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

Parts and supplies inventories for disposal amounting to ₱179.8 million were written down to zero net realizable value for the nine-month period ended September 30, 2011 (see Note 17). While allowance for impairment on parts and supplies amounting to ₱17.1 million were reversed for the nine-month ended September 30, 2010 (see Notes 16 and 17).

8. Property, Plant and Equipment

September 30, 2011 (Unaudited)

	Power Plants	FCRS and Production Wells	Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Laboratory Equipment	Land	Major Spares and Others	Construction in Progress	Total
Cost											
Balance at January 1, 2011, as previously reported	₱36,607,352,559	₱17,392,141,146	₱1,798,591,947	₱3,803,840,502	₱67,240,415	₱495,684,907	₱456,421,470	₱333,924,551	₱53,030,079	₱5,097,727,288	₱66,105,954,864
Purchase price allocation adjustment (Note 33)	-	-	-	-	-	-	-	-	-	(76,024,930)	(76,024,930)
Balance at January 1, 2011, as restated	36,607,352,559	17,392,141,146	1,798,591,947	3,803,840,502	67,240,415	495,684,907	456,421,470	333,924,551	53,030,079	5,021,702,358	66,029,929,934
Additions	-	304,026,186	63,450,924	132,833,294	27,175,690	40,691,336	76,718,133	45,830,894	-	6,318,810,368	7,009,536,825
Retirements/Write-off	-	-	(1,715,314)	(5,374,487)	(12,290,078)	(43,020,199)	(7,356,762)	-	5,849,270	-	(63,907,570)
Reclassifications	464,280,905	2,259,773,591	(9,712,761)	(2,797,306)	-	(2,246,613)	-	-	-	(2,722,252,895)	(12,955,079)
Balance at September 30, 2011	37,071,633,464	19,955,940,923	1,850,614,796	3,928,502,003	82,126,027	491,109,431	525,782,841	379,755,445	58,879,349	8,618,259,831	72,962,604,110
Accumulated depreciation and impairment											
Balance at January 1, 2011	4,054,656,188	3,256,620,699	287,626,673	1,462,628,729	42,658,867	233,098,900	89,502,206	-	-	-	9,426,792,262
Depreciation for the period	1,629,459,886	549,267,144	74,084,146	201,702,714	8,241,072	59,023,982	38,857,074	-	-	-	2,560,636,018
Impairment - NNGP (Note 16)	1,662,635,857	2,419,098,627	56,658,530	141,579,492	8	74,681,583	32,155,446	17,255,629	3,678,839	590,863,998	4,998,608,009
Retirements/Write-off	-	-	(935,986)	(5,318,755)	(12,290,059)	(38,107,689)	(6,641,034)	-	(7,154)	-	(63,300,677)
Reclassifications	-	-	(846,041)	76,772,009	(8,766)	(4,282,164)	(534,872)	-	-	-	71,100,166
Balance at September 30, 2011	7,346,751,931	6,224,986,470	416,587,322	1,877,364,189	38,601,122	324,414,612	153,338,820	17,255,629	3,671,685	590,863,998	16,993,835,778
Net book value	₱29,724,881,533	₱13,730,954,453	₱1,434,027,474	₱2,051,137,814	₱43,524,905	₱166,694,819	₱372,444,021	₱362,499,816	₱55,207,664	₱8,027,395,833	₱55,968,768,332

December 31, 2010 (Audited, except as Restated, Note 33)

	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											
Balances at January 1, 2010	₱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, as previously reported	-	-	-	-	-	-	-	-	-	1,279,725,000	1,279,725,000
Purchase price allocation adjustment (Note 33)	-	-	-	-	-	-	-	-	-	(76,024,930)	(76,024,930)
Acquisition through business combination, as restated	-	-	-	-	-	-	-	-	-	1,203,700,070	1,203,700,070
Additions	120,898,606	-	77,126,525	246,843,928	13,414,527	88,905,171	53,170,073	841,846	30,858,430	5,183,251,812	5,815,310,918
Retirements/Write-off	(451,492,400)	-	(66,310,776)	(16,453,349)	(21,174,438)	(18,700,917)	(5,057,652)	-	3,405,825	-	(575,783,707)
Reclassifications	4,118,020,678	2,984,160,534	(2,489,827,076)	(42,376,907)	(2,915,952)	3,360,326	206,880,245	-	(68,086,300)	(4,814,934,685)	(105,719,137)
Balances at December 31, 2010, As restated	36,607,352,559	17,392,141,146	1,798,591,947	3,803,840,502	67,240,415	495,684,907	456,421,470	333,924,551	53,030,079	5,021,702,358	66,029,929,934
Accumulated Depreciation and Impairment											
Balances at January 1	453,898,777	326,670,521	597,267,399	1,044,814,617	56,220,762	179,028,770	53,812,263	-	-	-	2,711,713,109
Depreciation for the year	2,212,876,258	645,100,713	98,887,909	276,606,163	6,202,475	68,386,772	40,753,183	-	-	-	3,348,813,473
Impairment - NNGP	1,105,150,535	2,284,849,465	-	-	-	-	-	-	-	-	3,390,000,000
Retirements/Write-off	(90,905,093)	-	(26,841,654)	(15,826,915)	(20,893,155)	(14,871,292)	(5,057,596)	-	-	-	(174,395,705)
Reclassifications	373,635,711	-	(381,686,981)	157,034,864	1,128,785	554,650	(5,644)	-	-	-	150,661,385
Balances at December 31, 2010	4,054,656,188	3,256,620,699	287,626,673	1,462,628,729	42,658,867	233,098,900	89,502,206	-	-	-	9,426,792,262
Net Book Value	₱32,552,696,371	₱14,135,520,447	₱1,510,965,274	₱2,341,211,773	₱24,581,548	₱262,586,007	₱366,919,264	₱333,924,551	₱53,030,079	₱5,021,702,358	₱56,603,137,672

September 30, 2010 (Unaudited, Restated, Note 33)

	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											
Balances at January 1, 2010, as restated	32,819,925,675	14,407,980,612	4,277,603,274	3,615,826,830	77,916,278	422,120,327	201,428,804	333,082,705	86,852,124	3,449,685,161	59,692,421,790
Acquisition through business combination, as previously reported	-	-	-	-	-	-	-	-	-	1,279,725,000	1,279,725,000
Purchase price allocation adjustment (Note 33)	-	-	-	-	-	-	-	-	-	(76,024,930)	(76,024,930)
Acquisition through business combination, as restated	-	-	-	-	-	-	-	-	-	1,203,700,070	1,203,700,070
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)
Balances 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	4,810,641,155	64,247,473,688
Accumulated depreciation and impairment											
Balances at January 1	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
Balances 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	₱4,810,641,155	₱58,994,952,015

After the five-month shutdown since November 22, 2010, the NNGP operated from April to June 2011 to complete its geothermal resource testing. Based on the subsequent technical assessment, the Company concluded that the sustainable operation of NNGP is at 5-10 MW only.

The Company evaluates the assets on a cash-generating unit (CGU) basis for any indicators of impairment at each reporting date. Based on the foregoing, the Company assessed that there continues to be an indication of impairment for NNGP and based on its impairment testing, recognized an impairment loss in June 2011 of ₱4,998.6 million net of deferred tax of ₱499.9 million. The impairment loss is included under the “Operations and maintenance” account in the 2011 consolidated statement of financial position (see Note 16).

FCRS and Production Wells include the present value of the estimated rehabilitation costs of steam field facilities of the Parent Company at the end of the contract period amounting to ₱275.6 million. The corresponding provision for rehabilitation costs amounting to ₱358.6 million is recorded under “Other long-term liabilities” account in the 2011 consolidated statement of financial position.

Total depreciation cost amounting to ₱72.4 million and ₱106.2 million were capitalized under Construction in-Progress which relates to ongoing drilling of wells for the nine-month periods ended September 30, 2011 and 2010, respectively.

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

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)	September 30, 2010 (Restated, Unaudited)
Property, plant and equipment	₱2,560,636,018	₱3,348,813,473	₱2,470,977,414
Water rights (Note 9)	72,143,367	96,191,157	72,143,367
	₱2,632,779,385	₱3,445,004,630	₱2,543,120,781
Operating expenses	₱2,444,171,063	₱3,236,938,415	₱2,397,789,303
General and administrative	188,608,322	208,066,215	145,331,478
	₱2,632,779,385	₱3,445,004,630	₱2,543,120,781

9. Goodwill and Water Rights

	September 30, 2011 (Unaudited)		
	Water Rights	Goodwill	Total
Cost			
Balances at January 1, 2011 and September 30, 2011	₱2,404,778,918	₱2,535,051,530	₱4,939,830,448
Accumulated Amortization			
Balances at January 1, 2011	396,788,522	–	396,788,522
Amortization (Note 8)	72,143,367	–	72,143,367
Balances at September 30, 2011	468,931,889	–	468,931,889
Net Book Value	₱1,935,847,029	₱2,535,051,530	₱4,470,898,559

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

	September 30, 2010 (Unaudited)		
	Water Rights	Goodwill	Total
Cost			
Balances at January 1, 2010 and September 30, 2010	₱2,404,778,918	₱2,535,051,530	₱4,939,830,448
Accumulated Amortization			
Balances at January 1, 2010	300,597,365	–	300,597,365
Amortization (Note 8)	72,143,367	–	72,143,367
Balances at September 30, 2010	372,740,732	–	372,740,732
Net Book Value	₱2,032,038,186	₱2,535,051,530	₱4,567,089,716

The Company performs impairment review on goodwill, annually or more frequently, if events or changes in circumstances indicate that the carrying value of the cash-generating units may be impaired.

10. Other Noncurrent Assets

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)	September 30, 2010 (Unaudited)
Input VAT	₱2,187,449,181	₱1,105,783,755	₱1,017,023,070
Tax credit certificates	1,038,884,446	1,338,884,446	1,338,884,446
Input VAT claims for refund	663,319,034	681,799,381	513,785,638
Special deposits and funds	116,238,764	112,373,475	101,035,896
Long-term receivables	59,670,238	36,567,506	34,533,733
Prepaid expenses	15,295,942	15,532,903	22,618,741
Others	53,952,926	61,956,464	53,131,280
	4,134,810,531	3,352,897,930	3,081,012,804
Less allowance for unrecoverable input VAT and nontrade receivables	232,638,218	114,356,503	64,599,027
	₱3,902,172,313	₱3,238,541,427	₱3,016,413,777

11. Trade and Other Payables

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)	September 30, 2010 (Unaudited)
Accounts payable	₱3,740,421,507	₱3,931,068,832	₱2,267,940,511
Accrued interest and guarantee fees	1,274,550,117	889,806,777	1,225,136,610
Withholding and other taxes payable	106,774,803	257,346,704	109,231,107
Deferred credits	11,963,286	6,446,576	12,696,299
SSS and other contributions payable	2,393,612	2,722,658	3,091,581
Other payables	117,149,143	36,100,139	131,934,569
	₱5,253,252,468	₱5,123,491,686	₱3,750,030,677

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

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

12. Royalty Fee Payable

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)	September 30, 2010 (Unaudited)
Due to DOE and Local Government Units (LGUs)	₱363,833,156	₱554,783,572	₱629,484,504
Less current portion	315,514,708	254,155,199	247,327,173
Noncurrent portion	₱48,318,448	₱300,628,373	₱382,157,331

13. Long-term Debts

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)	September 30, 2010 (Unaudited)
US Dollar-denominated debts	₱20,480,107,578	₱7,427,718,353	₱7,412,286,067
Japanese Yen-denominated debts	20,492,843	4,817,288,760	4,819,360,395
Peso-denominated debts	31,250,424,758	28,960,940,735	29,066,040,836
	51,751,025,179	41,205,947,848	41,297,687,298
Less current portion	2,055,224,478	1,527,248,370	1,555,374,771
Noncurrent portion	₱49,695,800,701	₱39,678,699,478	₱39,742,312,527

Borrowings and Repayments of Debt in 2011

On January 20, 2011, the Parent Company issued a 10-year US\$300.0 million Notes (₱13,350.0 million) at 6.50% interest per annum which will mature on January 2021. The notes are intended to be used by the Company to support the business expansion plans, finance capital expenditures, service debt obligations and for general corporate purposes.

On April 8, 2011, the Parent Company prepaid the JPY8.1 billion (₱4,260.6 million) 21st Yen loan with Japan International Cooperation Agency (JICA), a successor institution of the Overseas Economic Cooperation Fund (OECF) (Japan). The 21st Yen loan is originally scheduled to mature in March 2027.

On May 20, 2011, the Parent Company signed a 15-year US\$75.0 million loan facility with the International Finance Corporation (IFC) to fund its medium-term capital expenditures program. The loan was swapped into Peso and was drawn on September 30, 2011, amounting to ₱3,262.5 million. The loan will mature on October 2025 and carries an interest of 6.657%.

On June 10, 2011, the Parent Company prepaid the OECF 19th Yen loan balance of JPY218.6 million (₱117.4 million) originally scheduled to mature in December 2024. On June 17, 2011, the Company has fully settled its OECF 9th Yen loan of JPY207.7 million (₱111.5 million).

On June 17, 2011, the Parent Company has entered into a credit agreement for the US\$175.0 million transferable syndicated term loan facility with Australia New Zealand Banking Group Limited, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Chinatrust (Philippines) Commercial Banking Corporation, ING Bank N.V., Manila Branch, Maybank Group, Mizuho Corporate Bank, Ltd., and Standard Chartered Bank as Mandated Lead Arrangers and Bookrunners. The purpose of the new loan is to refinance the old US\$175.0 million syndicated term loan availed on June 30, 2010 with scheduled maturity of June 30, 2013. The new loan carries an interest of LIBOR plus a margin of 175 basis points and has installment repayment scheme to commence on June 27, 2013 until June 27, 2017. The retired bullet loan had an interest rate of LIBOR plus a margin of 325 basis points.

On July 20, 2011, the Parent Company prepaid the OECF 18th Yen loan balance of JPY45.3 million (₱24.3 million) originally scheduled to mature in January 2023.

The Company's foreign currency-denominated long-term debts were translated into Peso based on the prevailing foreign exchange rates at financial reporting date (US\$1=JPY76.787: US\$1=₱43.720 as of September 30, 2011, US\$1=JPY81.659: US\$1=₱43.840 as of December 31, 2010 and US\$1=JPY83.661: US\$1=₱43.880 as of September 30, 2010).

14. Equity

As required under the Philippine Constitution, the Parent Company is subject to the nationality requirement that at least sixty percent (60%) of its capital stock must be owned by Filipino citizens since it is engaged in the exploration and exploitation of the country's energy resources. The Parent Company is compliant with the said nationality requirement.

The common shares are majority held by Filipinos, with Red Vulcan holding 7.5 billion shares or an equivalent of 40% interest.

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

Issued and outstanding preferred and common shares as of September 30, 2011 and 2010 and December 31, 2010 are as follows:

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

The Parent Company had 704 common stockholders and one preferred stockholder as of September 30, 2011, 716 common stockholders and one preferred stockholder as of December 31, 2010 and 693 common stockholders and one preferred stockholder as of September 30, 2010.

Preferred Shares issued to Non-controlling Interest

On October 16, 2008, EDC, First Gen and FG Hydro entered into a Share Purchase and Investment Agreement (SPIA), whereby EDC shall own 60% of the outstanding equity of FG Hydro, which was a wholly owned subsidiary of First Gen prior to the SPIA. The acquisition by EDC was through a combination of primary issuance by FG Hydro of up to 17% interest and sale of secondary shares by First Gen of up to 43% interest in FG Hydro. FG Hydro and EDC were subsidiaries of First Gen at that time and were, therefore, under common control of First Gen. FG Hydro operates the 112 MW Pantabangan-Masiway hydroelectric power plants in Nueva Ecija, Philippines.

Consistent with the SPIA, on October 20, 2008, FG Hydro issued 101,281,942 shares of its common stock to EDC for a total subscription price of ₱1,648.03 million. Thereafter, on November 17, 2008, EDC acquired 249,287,223 common shares held by First Gen for US\$85.22 million (₱4,114.59 million). Total direct cost related to the transaction amounted to ₱73.44 million. The total cost of the acquisition of FG Hydro amounted to ₱5,836.06 million. The acquisition was funded through internally generated cash flows.

On October 20, 2008, the Parties executed a First Supplement to the SPIA in which it was agreed that the issuance of the Preferred Shares to First Gen shall be deferred pending finalization of the features of the Preferred Shares. As of December 31, 2010, the parties have yet to finalize the features of the Preferred Shares.

On May 9, 2011, the Philippine SEC approved the amendment of the articles of incorporation of FG Hydro reclassifying the unissued redeemable preferred shares into redeemable preferred A & B shares. Included in the features of the preferred shares Series B is that it shall earn cumulative dividends for each year during the period commencing January 1, 2009 and ending on December 31, 2013, as may be declared and paid from time to time in amounts and on such dates as may be declared by FG Hydro's Board of Directors, subject to the availability of FG Hydro's retained earnings. As a result of the issuance of the preferred shares, ₱200.3 million is reallocated from retained earnings to non-controlling interest pertaining to the net income allocable to FGen for the period prior to January 1, 2011. In June, 2011, FG Hydro declared dividends to the non-controlling interest amounting to ₱333.8 million.

15. Purchased Services and Utilities

	September 30, 2011 (Unaudited)	September 30, 2010 (Unaudited)
Professional and technical services	₱954,768,638	₱698,750,149
Purchased services	340,971,129	266,725,748
Purchased utilities	201,293,298	59,779,172
Hauling and handling costs	47,903,984	147,719,806
Rig mobilization charges	34,593,170	50,514,652
Contractual personnel costs	30,410,774	83,508,571
Others	12,987,321	9,167,019
	₱1,622,928,314	₱1,316,165,117

16. Operations and Maintenance Expenses

	September 30, 2011 (Unaudited)	September 30, 2010 (Unaudited)
Impairment loss on property, plant and equipment of NNGP (Note 8)	₱4,998,608,008	₱-
Personnel costs	1,127,466,667	1,235,500,314
Repairs and maintenance	1,064,707,908	995,270,792
Rental, insurance and taxes	716,995,281	609,026,159
Parts and supplies issued	700,514,115	543,168,605
Royalty fees	152,686,774	181,347,968
Business and related expenses	75,984,407	98,898,197
Proceeds from insurance claims	-	(129,005,463)
Reduction in allowance for impairment of parts and supplies inventories	-	(83,600)
	₱8,836,963,160	₱3,534,122,972

17. General and Administrative Expenses

	September 30, 2011 (Unaudited)	September 30, 2010 (Unaudited)
Personnel costs	₱1,041,792,389	₱909,512,360
Purchased services and utilities	669,624,443	816,582,532
Rental, insurance and taxes	361,194,070	762,436,648
Business and related expenses	244,669,933	134,639,154
Provision for doubtful accounts on trade receivables (Note 6)	99,295,933	12,389,232
Provision for unrecoverable input VAT and nontrade receivables (Note 10)	118,281,178	4,831,580
Provision for (reversal of) allowance for impairment of parts and supplies inventories (Note 7)	179,794,591	(17,092,217)
Parts and supplies issued	123,173,516	119,512,245
Repairs and maintenance	39,715,358	55,528,692
	₱2,877,541,411	₱2,798,340,226

18. Foreign Exchange Gains (Losses) - Net

	September 30, 2011 (Unaudited)	September 30, 2010 (Unaudited)
Foreign exchange gains on long-term loans	₱504,188,449	₱168,349,851
Foreign exchange losses on other accounts	(552,871,738)	(63,722,369)
	(₱48,683,289)	₱104,627,482

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. The following table shows the exchange rates used to restate outstanding balances at financial reporting dates:

Currency	Equivalent to US\$1.00		
	September 30, 2011	December 31, 2010	September 30, 2010
Japanese Yen	76.787	81.659	83.661
Peso	43.720	43.840	43.880

19. Interest Expense

	September 30, 2011 (Unaudited)	September 30, 2010 (Unaudited)
Interest on long-term debts including amortization of transaction costs	₱3,173,685,505	₱2,811,832,572
Interest accretion of provision for rehabilitation costs (Note 26)	54,192,779	-
Interest accretion of "Day 1" gain	25,361,786	45,229,380
Interest on liability from litigation	5,858,330	5,840,854
Interest on loans payable	1,140,522	16,085,312
	₱3,260,238,922	₱2,878,988,118

20. Interest Income

	September 30, 2011 (Unaudited)	September 30, 2010 (Unaudited)
Interest on placements	₱266,121,000	₱233,064,773
Interest on overdue accounts/others	11,144,541	20,494,760
Interest on savings/current accounts	3,951,487	895,177
Accretion of "Day 1" loss on NPC receivable	-	6,007,914
	₱281,217,028	₱260,462,624

21. Miscellaneous Income (Charges)

	September 30, 2011 (Unaudited)	September 30, 2010 (Unaudited)
"Day 1" loss on security deposit	(₱6,078,723)	₱-
Recovery of impairment loss on input VAT claims	-	1,638,885,544
Loss on retirement of parts and supplies inventories	-	(3,748,139)
Others	24,881,495	6,367,740
	₱18,802,772	₱1,641,505,145

22. Earnings (Loss) Per Share

The earnings (loss) per share were computed as follows:

	September 30, 2011 (Unaudited)	September 30, 2010 (Restated, Unaudited)
(a) Net income (loss) attributable to equity shareholders of the Parent Company	(₱670,221,100)	₱7,126,484,001
Less dividends on preferred shares	7,500,000	7,500,000
(b) Net income (loss) attributable to common shareholders of the Parent Company	(₱677,721,100)	₱7,118,984,001
(c) Weighted average number of common shares outstanding	18,750,000,000	18,750,000,000
Basic/diluted earnings (loss) per share (b/c)	(₱0.036)	₱0.380

The Parent Company does not have dilutive common stock equivalents as of September 30, 2011 and 2010, respectively.

23. Income Tax

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

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)	September 30, 2010 (Unaudited)
Deferred tax assets – net	₱1,457,745,094	₱893,702,182	₱486,736,974
Deferred tax liabilities – net	–	–	–

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

Deferred Tax Assets

	Foreign Exchange Losses (Gains) on BOT Power Plants	Unrealized Foreign Exchange Losses	Allowance For Doubtful Accounts	Impairment Loss on Property, Plant and Equipment	Others	Total
At January 1, 2011, as previously reported	₱1,124,107,987	₱46,084,158	₱16,655,667	₱373,900,000	₱464,177,991	₱2,024,925,803
Price purchase allocation adjustment (Note 33)					7,602,493	7,602,493
At January 1, 2011, as restated	1,124,107,987	46,084,158	16,655,667	373,900,000	471,780,484	₱2,032,528,296
Charged to income for the period	(78,990,555)	(43,777,457)	21,757,711	499,860,801	120,676,084	519,526,584
Charged to equity	–	–	–	–	(992,268)	(992,268)
At September 30, 2011	₱1,045,117,432	₱2,306,701	₱38,413,378	₱873,760,801	₱591,464,300	₱2,551,062,612

	Foreign Exchange Losses (Gains) on BOT Power Plants	Unrealized Foreign Exchange Losses	Allowance For Doubtful Accounts	Impairment Loss on Property, Plant and Equipment	Others	Total
At January 1, 2010	1,229,428,727	477,420,442	198,560,823	34,900,000	460,189,934	2,400,499,926
Price purchase allocation adjustment (Note 33)	—	—	—	—	7,602,493	7,602,493
Charged to income for the year	(105,320,740)	(431,336,284)	(181,905,156)	339,000,000	3,176,622	(376,385,558)
Charged to equity	—	—	—	—	811,435	811,435
At December 31, 2010, as restated	₱1,124,107,987	₱46,084,158	₱16,655,667	₱373,900,000	₱471,780,484	₱2,032,528,296

	Foreign Exchange Losses (Gains) BOT Power Plants	Unrealized Foreign Exchange Losses (Gains)	Allowance For Doubtful Accounts	Impairment Loss on Property, Plant and Equipment	Others	Total
At January 1, 2010	₱1,229,428,727	₱477,420,442	₱198,560,823	₱34,900,000	₱460,189,934	₱2,400,499,926
Purchase price allocation adjustment	—	—	—	—	7,602,493	7,602,493
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, as restated	₱1,150,438,172	₱—	₱10,834,925	₱34,900,000	₱496,896,609	₱1,693,069,706

Deferred Tax Liabilities

	Unrealized foreign exchange losses (gains)	IFRIC 12 Adjustments	Others	Total
At January 1, 2011, as previously reported	₱-	(₱1,070,440,486)	(₱60,783,135)	(₱1,131,223,621)
Price purchase allocation adjustment (Note 33)	-	-	(7,602,493)	(7,602,493)
At January 1, 2011, as restated	-	(1,070,440,486)	(68,385,628)	(1,138,826,114)
Charged to income for the year	(20,665,059)	72,746,246	(6,572,591)	45,508,596
At September 30, 2011	(₱20,665,059)	(₱997,694,240)	(₱74,958,219)	(₱1,093,317,518)

	IFRIC 12 Adjustments	Others	Total
At January 1, 2010	(₱1,152,912,850)	(₱55,313,484)	(₱1,208,226,334)
Price purchase allocation adjustment (Note 33)	—	(7,602,493)	(7,602,493)
Charged to income for the year	82,472,364	(5,469,651)	77,002,713
At December 31, 2010, as restated	(₱1,070,440,486)	(₱68,385,628)	(₱1,138,826,114)

	IFRIC 12 Adjustments	Unrealized Foreign Exchange Gains	Others	Total
At January 1, 2010	(₱1,152,912,850)	₱-	(₱55,313,484)	(₱1,208,226,334)
Price purchase allocation adjustment (Note 33)	—	—	(7,602,493)	(7,602,493)
Charged to income for the period	22,128,635	(34,445,100)	21,812,560	9,496,095
At September 30, 2010, as restated	(₱1,130,784,215)	(₱34,445,100)	(₱41,103,417)	(₱1,206,332,732)

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

	Deferred Tax Assets	Deferred Tax Liabilities	Net
At January 1, 2011, as previously reported	₱2,024,925,803	(₱1,131,223,621)	₱893,702,182
Price purchase allocation adjustment (Note 33)	7,602,493	(7,602,493)	-
At January 1, 2011, as restated	2,032,528,296	(1,138,826,114)	893,702,182
Charged to income for the period	519,526,584	45,508,596	565,035,180
Charged to equity	(992,268)	-	(992,268)
At September 30, 2011	₱2,551,062,612	(₱1,093,317,518)	₱1,457,745,094

	Deferred Tax Assets	Deferred Tax Liabilities	Net
At January 1, 2010	₱2,400,499,926	(₱1,208,226,334)	₱1,192,273,592
Price purchase allocation adjustment (Note 33)	7,602,493	(7,602,493)	-
Charged to income for the year	(376,385,558)	77,002,713	(299,382,845)
Charged to equity	811,435	-	811,435
At December 31, 2010, as restated	₱2,032,528,296	(₱1,138,826,114)	₱893,702,182

	Deferred Tax Assets	Deferred Tax Liabilities	Net
At January 1, 2010	₱2,400,499,926	(₱1,208,226,334)	₱1,192,273,592
Price purchase allocation adjustment (Note 33)	7,602,493	(7,602,493)	-
Charged to income for the period	(714,962,713)	9,496,095	(705,466,618)
Charged to equity	(70,000)	-	(70,000)
At September 30, 2010, as restated	₱1,693,069,706	(₱1,206,332,732)	₱486,736,974

24. Related Party Transactions

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

The following are the transactions that the Company had with related parties for the nine-month periods ended September 30, 2011 and 2010.

a. First Balfour, Inc. (First Balfour)

Following the usual bidding process in 2010, the Company awarded to First Balfour procurement contracts amounting to ₱217.67 million for various works such as Palinpinon 1 zero condensate disposal system, Civil, Structural and Mechanical/ Piping Works in Leyte and Bac-Man, and refurbishment of BGI's geothermal power plants.

First Balfour is a wholly owned subsidiary of First Holdings.

b. First Gen

First Gen provides financial consultancy, business development and other related services to the Parent Company under a consultancy agreement beginning September 1, 2008. Such agreement is for a period of three years up to August 31, 2011. Under the terms of the agreement, billings for consultancy services shall be ₱8.7 million per month plus applicable taxes. This was increased to ₱11.8 million effective September 2009 to cover the cost of additional officers and staff assigned to the Parent Company. The Company accrued in September 2011 the cost of consultancy services based on the ₱11.8 million monthly rate since the rate and covered period for the new contract are still to be agreed upon.

c. IFC

The Parent Company entered into a loan agreement with the IFC, a shareholder of the Parent Company, on November 27, 2008 for US\$100.0 million or its peso equivalent of ₱4.1 billion. IFC has approximately 5% ownership interest in the Parent Company. On January 7, 2009, the Parent Company opted to draw the loan in Peso and received the proceeds amounting to ₱4,048.8 million, net of ₱51.3 million front-end fee. As of September 30, 2011, the outstanding loan amounted to ₱4,040.2 million, net of unamortized transaction costs of ₱59.8 million, is included under the “Long-term debts” account in the interim consolidated statement of financial position.

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

On May 20, 2011, the Parent Company signed a 15-year US\$75.0 million loan facility with the IFC. The loan was swapped into Peso and was drawn on September 30, 2011, amounting to ₱3,262.5 million. As of September 30, 2011, the outstanding loan amounted to ₱3,194.2 million, net of unamortized transaction costs of ₱68.3 million, is included under the “Long-term debts” account in the interim consolidated statement of financial position. The loan is payable in 24 equal semi-annual installments after a three-year grace period at an interest rate of 6.657% per annum.

d. Other Related Parties

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

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

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

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

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

Thermaprime Well Services, Inc. (Thermaprime) is a subsidiary of First Balfour, a wholly owned subsidiary of First Holdings. Thermaprime provides drilling services such as, but not limited to, rig operations, rig maintenance, well design and engineering.

First Gen Energy Solutions (First GES) is a wholly owned subsidiary of First Gen.

Following are the amounts of transactions for the periods ended September 30, 2011 and 2010 and outstanding balances as of September 30, 2011 and 2010 and December 31, 2010:

Related Party	Nature of Transaction	Transactions for the nine-month periods ended September 30		Net amount Due from Related Parties		
		2011	2010	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)	September 30, 2010 (Unaudited)
First Gen	Interest-free advances	₱3,437	₱-	₱3,437	₱-	₱-
First Balfour	Interest-free advances	-	-	595,836	-	-
First GES	Interest-free advances	1,864	-	1,864	-	-
First Gen Northern Energy Corp.	Interest-free advances	2,511	-	2,511	-	-
		₱7,812	₱-	₱603,648	₱-	₱-

Related Party	Nature of Transaction	Transactions for the nine-month periods ended September 30		Net amount Due to Related Parties		
		2011	2010	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)	September 30, 2010 (Unaudited)
First Gen	Interest-bearing advances (payment)	₱-	(₱504,141,759)	₱-	₱-	₱-
	Consultancy fee	119,527,059	129,938,824	38,731,765	23,600,000	13,882,353
	Interest-free advances	52,575,456	3,047,948	7,295,007	247,744,841	1,238,792
First Balfour, Inc.	Steam augmentation contract in Leyte	147,798,460	48,292,342	5,862,855	59,883,402	15,318,873
Buang Private Power Corp.	Interest-free advances	-	10,421,728	-	-	-
	Acquisition of one unit MVA transformer	-	37,641,428	-	-	-
Bayantel	Purchase of services and utilities	6,658,196	4,503,624	2,727,516	3,169,012	3,675,347
First Gas Holdings Corporation	Interest-free advances	767,900	432,350	-	1,199,850	1,006,450
First Gas Power Corporation	Interest-free advances	525,690	4,890	361,450	45,385	54,347
First Private Power Corp.	Acquisition of one (1) unit 1980 CESSNA 340A	-	8,000,000	-	-	-
FPRC	Purchase of services and utilities	1,848,760	4,127,063	-	-	-
Lopez Group Foundation, Inc.	Interest-free advances	498,400	-	-	-	-
Lopez Holdings Corporation	Interest-free advances	-	58,900	-	-	-
Sky Cable	Purchase of services and utilities	25,182	46,200	-	-	6,600
E. Lopez Foundation	Interest-free advances	2,400,000	20,000	-	-	-

Related Party	Nature of Transaction	Transactions for the nine-month periods ended September 30		Net amount Due to Related Parties		
		2011	2010	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)	September 30, 2010 (Unaudited)
		Red Vulcan	Interest-free advances	–	(11,059)	–
		332,625,103	(257,617,521)	54,978,593	335,650,484	35,182,762
Thermaprime	Work fees	694,231,740	–	93,181,809	–	–
IFC	Interest-bearing loans	–	5,458,617	7,234,328,541	4,034,266,907	4,032,339,196
		₱1,026,856,843	(₱252,158,904)	₱7,382,488,943	₱4,369,917,391	₱4,067,521,958

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

The purchases from related parties are made at normal commercial terms and conditions. The amounts outstanding are unsecured and will be settled in cash. Except for the US\$80.0 million letters of credit issued by the Parent Company in favor of EDC Chile Limitada as mentioned above, there were no guarantees that have been given to or and received from any related party in 2011 and 2010.

The Company has not recognized any impairment losses on receivables from related parties for the nine-month periods ended September 30, 2011 and 2010.

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

Except for the Parent Company's issuance of the US\$300.0 million 6.50% Notes due 2021, US\$75 million 6.657% loan due 2025, settlement of final amortization of the 9th OECF Yen loan, prepayments of OECF Yen loans (18th, 19th and 21st) as disclosed in Notes 13 and 27, the impairment loss of the NNGP assets as disclosed in Note 8 and the reallocation from retained earnings to non-controlling interest due to the change in equity of First Gen in FG Hydro in Note 14, 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.

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

There are no significant changes in estimates of amounts during the current period as well as in the comparative period in 2010 with the exception of the recognition of provision for rehabilitation costs as disclosed in Notes 8 and 19 and the absence of steam revenue due to waiver of billings and collections.

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

Except for the Parent Company's issuance of a 10-year US\$300.0 million Notes (₱13,350.0 million) at 6.50% interest per annum on January 20, 2011, 15-year US\$75.0 million (₱3,262.5 million) loan facility, which was drawn on September 30, 2011, with the IFC at 6.657% interest per annum, settlement of final amortization of the 9th OECF Yen loan, prepayments of OECF Yen loans (18th, 19th and 21st) and the refinancing of the US\$175.0 million syndicated term loan facility as disclosed in Note 13 there are no other issuances, repurchases and repayments of debt and equity securities during the nine-month period ended September 30, 2011.

28. Dividend Declarations

Cash Dividends

In June 2011, FG Hydro paid cash dividends amounting to ₱333.8 million to its preferred shares.

On March 15, 2011, the BOD of the Parent Company approved the following cash dividends in favor of all stockholders of record as of March 29, 2011, which were fully paid on April 20, 2011:

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

On March 25, 2010, the BOD of the Parent Company approved the following cash dividends in favor of all stockholders of record as of April 13, 2010, which were fully paid on 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

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

Except for the closure of the Parent Company's drilling business through its Well Construction Group effective as of the close of business hours on February 28, 2011 and the finalization of Bac-Man's purchase price allocation, there are no material changes in the composition of the registrant during the period.

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

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

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

Except for the unserved purchase orders and awarded contracts for the purchase of various capital goods in the total amount of ₱943.3 million, there are no material contingencies and any other events or transactions during the period.

32. Financial Risk Management Objectives and Policies

The Company's financial instruments consist mainly of 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, trade and other payables, which arise directly from operations.

Overview of the Company's Risk Management

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

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

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

- a. Proactively identifies and manages the key exposures of the Company to protect corporate assets and profits by identifying and preventing risks before they occur. Thus, it helps avoid losses which can impair the operations or financial position of the Company in case of fortuitous events;
- b. Identifies and exploits areas of "risk-based advantage";
- c. Provides management at all levels with the required information to make informed decisions on issues critical to the success of the business and its projects;
- d. Establishes the accountability of risk owners in the management of risks;
- e. Provides balance in the management of risks and an objective basis for allocating resources;
- f. Ensures that efforts and initiatives are well-coordinated so that the Company does not manage risks in silo;
- g. Monitors the implementation and effectiveness of the risk treatment options;
- h. Ensures compliance with the policies and processes that are established to manage risks; and
- i. Reduces the reliance on increasingly expensive insurance protection. Insurance may provide the financial relief in case of loss. However, certain risks are not insurable, while some though insurable, may be too costly and uneconomical to insure.

Risk Assessment

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

Risk Treatment

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

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

Financial Risk Management Policy

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

Credit Risk

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

With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents excluding cash on hand, other receivables, AFS investments and derivatives assets, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments before taking into account any collateral and other credit enhancements.

	September 30, 2011	December 31, 2010	September 30, 2010
Loans and receivables:			
Cash and cash equivalents (excluding cash on hand)	₱12,691,784,413	₱6,152,532,452	₱7,077,760,543
Trade receivables	2,808,828,588	4,418,426,404	3,375,441,523
Loans and notes receivables	59,552,998	61,297,851	62,585,956
Advances to employees	40,864,256	30,389,460	31,840,941
Non-trade receivables	28,826,614	73,070,811	57,979,037
Employee receivables	23,622,385	37,757,241	31,427,584
Long-term receivables	1,000,000	1,000,000	-
Due from Related Parties	603,648	-	-
AFS investments:			
Debt investments	675,255,400	707,524,992	724,130,139
Equity investments	20,816,362	18,166,353	16,924,816
Financial assets at FVPL:			
Derivative assets	158,419,378	-	236,368
	₱16,509,574,042	₱11,500,165,564	₱11,378,326,907

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, 2011 and 2010 and December 31, 2010:

	September 30, 2011 (Unaudited)						Total
	Neither Past Due nor Impaired	Past Due but Not Impaired				Past Due and Impaired	
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
<i>(In Thousand Pesos)</i>							
Loans and receivables:							
Cash and cash equivalents (excluding cash on hand)	₱12,691,784	₱-	₱-	₱-	₱-	₱-	₱12,691,784
Trade receivables	2,501,827	80,343	217,169	2,397	7,092	129,903	2,938,731
Loans and notes receivables	52,585	316	2,467	4,185	-	-	59,553
Employee receivables	23,622	-	-	-	-	-	23,622
Non-trade receivables	15,669	-	10,904	2,254	-	-	28,827
Advances to employees	22,148	5,525	10,067	3,124	-	-	40,864
Long-term receivables	1,000	-	-	-	-	58,670	59,670
Due from related parties	604	-	-	-	-	-	604
AFS investments:							
Debt investments	675,255	-	-	-	-	-	675,255
Equity investments	20,816	-	-	-	-	-	20,816
Financial assets at FVPL:							
Derivative assets	158,419	-	-	-	-	-	158,419
Total	₱16,163,729	₱86,184	₱240,607	₱11,960	₱7,092	₱188,573	₱16,698,145

December 31, 2010 (Audited)							
	Neither Past Due nor Impaired	Past Due but Not Impaired			Over 3 Years	Past Due and Impaired	Total
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years			
<i>(In Thousand Pesos)</i>							
Loans and receivables:							
Cash and cash equivalents (excluding cash on hand)	₱6,152,532	₱-	₱-	₱-	₱-	₱-	₱6,152,532
Trade receivables	4,078,000	1,684	221,256	117,486	-	30,607	4,449,033
Loans and notes receivables	61,298	-	-	-	-	-	61,298
Employee receivables	37,757	-	-	-	-	-	37,757
Non-trade receivables	49,827	-	7,831	15,413	-	-	73,071
Advances to employees	-	-	10,219	19,910	260	-	30,389
Long-term receivables	1,000	-	-	-	-	35,568	36,568
AFS investments:							
Debt investments	707,525	-	-	-	-	-	707,525
Equity investments	18,166	-	-	-	-	-	18,166
Total	₱11,106,105	₱1,684	₱239,306	₱152,809	₱260	₱66,175	₱11,566,339

September 30, 2010 (Unaudited)							
	Neither Past Due nor Impaired	Past Due but Not Impaired			Over 3 Years	Past Due and Impaired	Total
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years			
<i>(In Thousand Pesos)</i>							
Loans and receivables:							
Cash and cash equivalents (excluding cash on hand)	₱7,077,761	₱-	₱-	₱-	₱-	₱-	₱7,077,761
Trade receivables	2,597,851	578,223	188,523	10,845	-	21,987	3,397,429
Loans and notes receivables	62,586	-	-	-	-	-	62,586
Employee receivables	31,428	-	-	-	-	-	31,428
Non-trade receivables	43,553	-	3,421	10,986	19	-	57,979
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	₱10,558,609	₱578,223	₱193,518	₱47,959	₱19	₱56,521	₱11,434,849

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, 2011 and 2010 and December 31, 2010, financial assets categorized as neither past due nor impaired are viewed by management as high grade, considering the collectability of the receivables and the credit history of the counterparties. 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, 2011, 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 mainly from the financial assets and liabilities that are denominated in US Dollar and Japanese Yen. This primarily arises from future payments of foreign loans and other commercial transactions and the Company's investment in marketable securities and 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 Peso and the US dollar rates, US Price and Consumer Indices, and other inflation factors.

To mitigate further the effects of foreign currency risk, the Company will prepay, refinance or hedge its foreign currency-denominated loans, whenever deemed feasible. In 2011, the Company entered into derivative contracts with various counterparties which have various maturities to hedge its various foreign currency-denominated loans.

The Company's foreign currency-denominated financial assets and liabilities (translated into Peso) as of September 30, 2011 and 2010 and December 31, 2010 are as follows:

	September 30, 2011 (Unaudited)			
	Original Currency			
	Japanese Yen	US Dollar	Sweden Kroner (SEK)	Peso Equivalent ¹
Financial Assets				
Loans and receivables:				
Cash equivalents	-	91,466,061	-	3,998,896,187
Cash on hand and in banks	-	3,769,079	-	164,784,134
Trade receivables	-	834,170	-	36,469,912
AFS investments:				
Government debt securities	-	15,445,000	-	675,255,400
Financial assets at FVPL:				
Derivative assets	-	260,415	-	11,385,344
Total financial assets	-	111,774,725	-	4,886,790,977
Current Financial Liabilities				
Liabilities at amortized cost:				
Trade payables	26,205,892	28,981,340	3,858,102	1,307,715,486
Accrued interest and guarantee fees	391,254,035	5,336,721	-	456,088,015
Current portion of long-term debts	35,992,417	-	-	20,492,843
Financial assets at FVPL:				
Derivative liabilities	-	36,428	-	1,592,632
Total current financial liabilities	453,452,344	34,354,489	3,858,102	1,785,888,976
Noncurrent Financial Liability				
Liability at amortized cost:				
Long-term debts - net of current portion	-	468,437,959	-	20,480,107,567
Total financial liabilities	453,452,344	502,792,448	3,858,102	22,265,996,543

¹US\$1=JPY76.787, US\$1= P43.72, US\$1=SEK6.8067 as of September 30, 2011

December 31, 2010 (Audited)				
	Original Currency			Peso Equivalent ²
	Japanese Yen	US Dollar	SEK	
Financial Assets				
Loans and receivables:				
Cash equivalents	-	3,340,000	-	146,425,600
Cash on hand and in banks	-	3,644,584	-	159,778,563
Trade receivables	-	4,279,825	-	187,627,528
AFS investments:				
Government debt securities	-	16,138,800	-	707,524,992
Total financial assets	-	27,403,209	-	1,201,356,683
Current Financial Liabilities				
Liabilities at amortized cost:				
Trade payables	11,589,841	12,443,772	3,976,330	578,828,344
Accrued interest and guarantee fees	457,836,928	1,559,537	-	314,166,560
Current portion of long-term debts	807,664,660	-	-	433,606,597
Total current financial liabilities	1,277,091,429	14,003,309	3,976,330	1,326,601,501
Noncurrent Financial Liability				
Liability at amortized cost:				
Long-term debts - net of current portion	8,165,339,709	169,427,882	-	11,811,400,510
Total financial liabilities	9,442,431,138	183,431,191	3,976,330	13,138,002,011

²US\$1=JPY81.659, US\$1=SEK6.81 and US\$1= ₪43.840 as of December 31, 2010

September 30, 2010 (Unaudited)			
	Original Currency		Peso Equivalent ³
	Japanese Yen	US Dollar	
Financial Assets			
Loans and receivables:			
Cash equivalents	-	22,164,555	972,580,673
Cash on hand and in banks	-	1,018,159	44,676,817
Trade receivables	-	4,816,333	211,340,692
AFS investments:			
Government debt securities	-	16,502,510	724,130,139
Financial assets at FVPL:			
Derivative assets	-	5,387	236,368
Total financial assets	-	44,506,944	1,952,964,689
Current Financial Liabilities			
Liabilities at amortized cost:			
Trade payables	1,300,000	18,222,362	800,279,076
Accrued interest and guarantee fees	405,613,489	3,566,203	369,228,305
Current portion of long-term debts	1,015,379,660	-	532,564,235
Total current financial liabilities	1,422,293,149	21,788,565	1,702,071,616
Noncurrent Financial Liability			
Liability at amortized cost:			
Long-term debts - net of current portion	8,173,146,709	168,921,743	11,699,082,243
Total financial liabilities	9,595,439,858	190,710,308	13,401,153,859

³US\$1=JPY83.661 and US\$1= ₪43.88 as of September 30, 2010

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar, Japanese yen and Sweden kroner exchange rates, with all other variables held constant, of the Company's income (loss) before income tax for the periods ended September 30, 2011 and 2010 and year ended December 31, 2010 (arising from revaluation of monetary assets and liabilities and derivative instruments).

September 30, 2011 (Unaudited)		
	Foreign Currency Appreciates (Depreciates) By	Effect on Loss Before Income Tax
US\$	10% or PHP4.372 (10% or PHP4.372)	(P1,446,932,085) P1,446,932,085
JPY	10% or PHP0.06326 (10% or PHP0.05176)	(28,686,766) 23,470,991
December 31, 2010 (Audited)		
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax
US\$	10% or PHP4.38 (10% or PHP4.38)	(P796,663,382) 796,663,382
JPY	10% or PHP0.05965 (10% or PHP0.04881)	(566,012,566) 463,101,190
SEK	10% or PHP0.70957 (10% or PHP0.58055)	(2,821,471) 2,308,476
September 30, 2010 (Unaudited)		
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax
US\$	10% or PHP4.388 (10% or PHP4.388)	(P651,421,089) 646,369,305
JPY	10% or PHP0.05828 (10% or PHP0.04768)	(559,198,433) 457,525,991
EURO ^(a)	10% against US\$ (10% against US\$)	5,287,092 (235,308)

^(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, 2011 and 2010 and December 31, 2010, the Company's exposure to equity price risk is minimal.

Interest Rate Risk

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

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

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

Interest Rate Risk Table

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

	Interest Rates	Within 1 Year	More than 1 Year but less than 4 Years	More than 4 Years but less than 5 Years	More than 5 Years	Total
September 30, 2011						
<i>In Thousand Pesos</i>						
(Unaudited)						
Fixed Rate						
OECF	3.2%	₱331	₱-	₱-	₱-	₱331
IFC A	7.40%	303,711	749,723	199,124	672,089	1,924,647
IFC B	6.7%	119,452	683,995	174,049	803,780	1,781,276
PNB & Allied	9.03%	431,232	1,076,563	271,891	541,581	2,321,267
FRCN Series 1	8.37%	180,117	207,851	-	-	387,968
FRCN Series 2	9.4%	400,536	747,128	69,769	-	1,217,433
FRCN Series 3	8.43%	90,048	93,104	-	-	183,152
Public Bonds Series 1	8.64%	734,553	2,203,659	-	-	2,938,212
Public Bonds Series 2	9.33%	326,645	979,934	326,645	163,322	1,796,546
US\$ 300M Notes	6.50%	852,540	2,557,620	852,540	3,836,430	8,099,130
Floating Rate						
US\$ 175M Syndicated Club Loan	1.75% + Libor	155,722	385,169	93,158	59,637	693,686
December 31, 2010						
<i>In Thousand Pesos</i>						
(Audited)						
Fixed Rate						
OECF	3%-5.7%	₱10,372	₱18,489	₱4,993	₱21,213	₱55,066
JBIC 21st yen	2.3% & 2.7%	119,136	313,725	89,807	506,205	1,028,873
PNB & Allied	9.03%	442,551	1,135,577	295,005	670,476	2,543,609
IFC A	7.40%	328,399	875,165	224,284	872,275	2,300,123
FRCN Series 1	8.37%	196,444	320,570	-	-	517,013
FRCN Series 2	9.40%	434,120	985,420	162,244	69,769	1,651,552
FRCN Series 3	8.43%	112,235	183,152	-	-	295,387
Public Bonds Series 1	8.64%	734,553	2,570,936	-	-	3,305,489
Public Bonds Series 2	9.33%	326,645	1,143,256	326,645	163,322	1,959,867
Floating Rate						
US\$ 175M Syndicated Term Club Loan	3.25% + Libor	306,846	460,269	-	-	767,116

	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
September 30, 2010						
(Unaudited)						
Fixed Rate						
OECF	3%-5.7%	₱13,660	₱18,675	₱5,082	₱22,662	₱60,079
JBIC 21 st yen	2.3% & 2.7%	116,392	306,499	87,738	494,545	1,005,174
IFC A	7.40%/7.90%	322,362	917,717	237,137	981,520	2,458,736
PNB & Allied	9.03%	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						
US\$ 175M Syndicated Club Loan	3.25% + Libor	307,126	614,252	–	–	921,378

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 (loss) before income tax and equity as of September 30, 2011 and 2010 and December 31, 2010. The effect also includes impact of change in interest rates on derivatives.

September 30, 2011 (Unaudited)			
	Increase/Decrease in Basis Points	Effect on Loss Before Income Tax	Effect on Equity
US\$	+100	(₱75,033,796)	(₱8,902,435)
	-100	75,034,792	22,333,879
December 31, 2010 (Audited)			
	Increase/Decrease in Basis Points	Effect on Income Before Tax	Effect on Equity
US\$	+100	(₱76,720,000)	(₱19,027,873)
	-100	76,720,000	22,130,588
September 30, 2010 (Unaudited)			
	Increase/Decrease in Basis Points	Effect on Income Before Income Tax	Effect on Equity
US\$	+100	(₱76,768,825)	(₱20,551,930)
	-100	76,770,301	24,564,184
EURO	+100	(20,195)	–
	-100	21,766	–

Liquidity Risk

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

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

The tables below show the maturity profile of the Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows as of September 30, 2011 and 2010 and December 31, 2010.

September 30, 2011 (Unaudited)							
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousand Pesos)</i>							
AFS debt investments:	₱675,255	₱-	₱-	₱-	₱-	₱-	₱675,255
Loans and receivables -							
Cash equivalents	-	8,917,793	2,914,154	-	-	-	11,831,947
Total	₱675,255	₱8,917,793	₱2,914,154	₱-	₱-	₱-	₱12,507,202

December 31, 2010 (Audited)							
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousand Pesos)</i>							
AFS debt investments:	₱707,525	₱-	₱-	₱-	₱-	₱-	₱707,525
Loans and receivables -							
Cash equivalents	-	5,732,030	-	-	-	-	5,732,030
Total	₱707,525	₱5,732,030	₱-	₱-	₱-	₱-	₱6,439,555

September 30, 2010 (Unaudited)							
	On demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousand Pesos)</i>							
AFS debt investments:	₱724,130	₱-	₱-	₱-	₱-	₱-	₱724,130
Loans and receivables -							
Cash equivalents	-	5,592,990	963,234	-	-	-	6,556,224
Total	₱724,130	₱5,592,990	₱963,234	₱-	₱-	₱-	₱7,280,354

The tables below summarize the maturity analysis of the Company's financial liabilities as of September 30, 2011 and 2010 and December 31, 2010 based on contractual undiscounted payments:

September 30, 2011 (Unaudited)							
	On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
<i>(In Thousand Pesos)</i>							
Liabilities at amortized cost:							
Accounts payable	₱-	₱3,223,751	₱-	₱-	₱-	₱-	₱3,223,751
Accrued interest and guarantee fees	284,125	654,688	335,736	-	-	-	1,274,549
Other current liabilities	-	2,197	-	-	-	-	2,197
Due to related parties	148,160	-	-	-	-	-	148,160
Royalty fee payable	-	135,763	87,500	175,000	49,073	-	447,336
Long-term debts	-	647,297	1,283,298	2,943,498	33,683,074	34,224,446	72,781,613
Financial Liabilities at FVPL:							
Derivative liabilities	-	74,504	-	-	-	-	74,504
Total	₱432,285	₱4,738,200	₱1,706,534	₱3,118,498	₱33,732,147	₱34,224,446	₱77,952,110

December 31, 2010 (Audited)							
	On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
<i>(In Thousand Pesos)</i>							
Liabilities at amortized cost:							
Accounts payable	₱-	₱3,156,018	₱-	₱-	₱-	₱-	₱3,156,018
Accrued interest and guarantee fees	271,584	476,394	141,829	-	-	-	889,807
Other current liabilities	-	853	-	-	-	-	853
Loan payable	-	175,000	-	-	-	-	175,000
Due to related parties	335,650	-	-	-	-	-	335,650
Royalty fee payable	-	87,500	87,500	175,000	311,573	-	661,573
Long-term debts	-	516,272	1,084,786	2,365,026	35,945,189	15,726,688	55,637,961
Total	₱607,234	₱4,412,037	₱1,314,115	₱2,540,026	₱36,256,762	₱15,726,688	₱60,856,862

September 30, 2010 (Unaudited)							
	On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
<i>(In Thousand Pesos)</i>							
Liabilities at amortized cost:							
Accounts payable	₱-	₱1,760,490	₱-	₱-	₱-	₱-	₱1,760,490
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	₱301,987	₱3,560,623	₱3,401,057	₱3,889,533	₱36,582,509	₱12,594,079	₱60,329,788

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

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

	September 30, 2011 (Unaudited)	Level 1	Level 2	Level 3	At Cost
Financial assets at FVPL-					
Derivative assets	P158,419,378	P-	P158,419,378	P-	P-
AFS investments:					
Debt investments	675,255,400	675,255,400	-	-	-
Equity investments	20,816,362	20,741,812	-	-	74,550
	December 31, 2010 (Audited)	Level 1	Level 2	Level 3	At Cost
AFS investments:					
Debt investments	P707,524,992	P707,524,992	P-	P-	P-
Equity investments	18,166,353	18,091,803	-	-	74,550
	September 30, 2010 (Unaudited)	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	16,850,266	-	-	74,550

During the three month-period ended September 30, 2011, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Financial Assets and Financial Liabilities

Set out below is a comparison of carrying amounts and fair values of the Company's financial instruments as of September 30, 2011 and 2010 and December 31, 2010.

	September 30, 2011 (Unaudited)		September 30, 2010 (Unaudited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱12,699,182,532	₱12,699,182,532	₱7,082,360,583	₱7,082,360,583
Trade receivables	2,808,828,588	2,808,828,585	3,375,441,523	3,375,441,523
Loans and notes receivables	59,552,998	59,552,998	62,585,956	62,585,956
Non-trade receivables	28,826,614	28,826,614	57,979,037	57,979,037
Advances to employees	40,864,256	40,864,257	31,840,941	31,840,941
Employee receivables	23,622,385	23,622,385	31,427,584	31,427,584
Long-term receivables	1,000,000	974,104	–	–
Due from Related Parties	603,648	603,648	–	–
AFS investments:				
Debt investments	675,255,400	675,255,400	724,130,139	724,130,139
Equity investments	20,816,362	20,816,362	16,924,816	16,924,816
Financial assets at FVPL:				
Derivative assets	158,419,378	158,419,378	236,368	236,368
	₱16,516,972,161	₱16,516,946,263	₱11,382,926,947	₱11,382,926,947
Financial Liabilities				
Financial liabilities at amortized cost:				
Accounts payable	₱3,223,751,223	₱3,223,751,223	₱1,760,490,048	₱1,760,490,048
Accrued interest and guarantee fees	1,274,550,117	1,274,550,117	1,225,136,610	1,225,136,610
Other current liabilities	2,196,586	2,196,586	96,303,505	96,303,505
Due to related parties	148,160,402	148,160,402	35,182,762	35,182,762
Royalty fee payable	363,833,156	369,225,129	629,484,504	628,544,038
Long-term debts	51,751,025,179	53,684,576,142	41,297,687,298	44,664,894,153
Financial Liabilities at FVPL:				
Derivative Liabilities	74,503,957	74,503,957	–	–
	₱56,838,020,620	₱58,776,963,556	₱45,044,284,727	₱48,410,551,116

December 31, 2010 (Audited)		
	Carrying Amount	Fair Value
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	₱6,157,925,132	₱6,157,925,132
Trade receivables	4,418,426,404	4,418,426,404
Loans and notes receivables	61,297,851	61,297,851
Non-trade receivables	73,070,811	73,070,811
Advances to employees	30,389,460	30,389,460
Employee receivables	37,757,241	37,757,241
Long-term receivables	1,000,000	942,912
AFS investments:		
Debt investments	707,524,992	707,524,992
Equity investments	18,166,353	18,166,353
	₱11,505,558,244	₱11,505,501,156
Financial Liabilities		
Financial liabilities at amortized cost:		
Accounts payable	₱3,156,017,521	₱3,156,017,521
Accrued interest and guarantee fees	889,806,777	889,806,777
Other current liabilities	852,593	852,593
Short term loan payable	175,000,000	175,000,000
Due to related parties	335,650,484	335,650,484
Royalty fee payable	554,783,572	568,334,506
Long-term debt	41,205,947,848	45,500,550,049
	₱46,318,058,795	₱50,626,211,930

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 Related Parties, Due to Related Parties, Trade and Other Payables and Loan Payable. These are instruments with relatively short maturity ranging 1 to 3 months. Carrying amounts approximate fair values.

Long-term Receivables. The fair value of long-term receivables was computed by discounting the expected cash flow using the applicable rate of 2.23% on September 30, 2011 (2.94% on December 31, 2010 and nil on September 30, 2010).

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

Derivative Assets and Derivative Liabilities. The currency options were valued using Garman-Kohlhagen option pricing model that takes into account such factors as the risk-free US Dollar and Euro interest rates and historical volatility.

Long-term Debts and Royalty Fee Payable. The fair values for the Company's long-term debts are estimated using the discounted cash flow methodology with the applicable rates ranging from 2.11% to 11.72%, 2.18% to 9.73%, and 2.13% to 10.58% on September 30, 2011, December 31, 2010 and September 30, 2010, respectively.

Fair values of royalty fee payable are determined using discount rates ranging from 5.02% to 5.68%, from 3.05% to 4.94% and from 6.11% to 6.59%, as of September 30, 2011, December 31, 2010 and September 30, 2010, respectively.

The Company classifies its financial instruments in the following categories.

September 30, 2011 (Unaudited)						
	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	P12,699,183	P-	P-	P-	P-	P12,699,183
Trade receivables	2,808,829	-	-	-	-	2,808,829
Loans and notes receivables	59,553	-	-	-	-	59,553
Non-trade receivables	28,827	-	-	-	-	28,827
Advances to employees	40,864	-	-	-	-	40,864
Employee receivables	23,622	-	-	-	-	23,622
Other long-term receivables	1,000	-	-	-	-	1,000
Due from Related Parties	604	-	-	-	-	604
AFS - debt investments	-	675,255	-	-	-	675,255
AFS - equity investments	-	20,816	-	-	-	20,816
Derivative assets	-	-	158,419	-	-	158,419
Financial Liabilities						
Accounts payable	-	-	-	3,223,751	-	3,223,751
Accrued interest and guarantee fees	-	-	-	1,274,550	-	1,274,550
Other current liabilities	-	-	-	2,197	-	2,197
Due to related parties	-	-	-	148,160	-	148,160
Royalty fee payable	-	-	-	363,833	-	363,833
Long-term debt	-	-	-	51,751,025	-	51,751,025
Derivative liabilities	-	-	-	-	74,504	74,504
Total	P15,662,482	P696,071	P158,419	P56,763,516	P74,504	P73,354,992

December 31, 2010 (Audited)

	Loans and Receivables	AFS Investments	Financial Assets at FVPL	Liabilities at Amortized Cost	Total
<i>(In Thousand Pesos)</i>					
Financial Assets					
Cash and cash equivalents	₱6,157,925	₱-	₱-	₱-	₱6,157,925
Trade receivables	4,418,426	-	-	-	4,418,426
Loans and notes receivables	61,298	-	-	-	61,298
Non-trade receivables	73,071	-	-	-	73,071
Advances to employees	30,389	-	-	-	30,389
Employee receivables	37,757	-	-	-	37,757
Other long-term receivables	1,000	-	-	-	1,000
AFS - debt investments	-	707,525	-	-	707,525
AFS - equity investments	-	18,166	-	-	18,166
Financial Liabilities					
Accounts payable	-	-	-	3,156,018	3,156,018
Accrued interest and guarantee fees	-	-	-	889,807	889,807
Other current liabilities	-	-	-	853	853
Short-term loan payable	-	-	-	175,000	175,000
Due to related parties	-	-	-	335,650	335,650
Royalty fee payable	-	-	-	554,784	554,784
Long-term debts	-	-	-	41,205,948	41,205,948
Total	₱10,779,866	₱725,691	₱236	₱46,318,060	₱57,823,617

September 30, 2010 (Unaudited)

	Loans and Receivables	AFS Investments	Financial Assets at FVPL	Liabilities at Amortized Cost	Total
<i>(In Thousand Pesos)</i>					
Financial Assets					
Cash and cash equivalents	₱7,082,361	₱-	₱-	₱-	₱7,082,361
Trade receivables	3,375,442	-	-	-	3,375,442
Loans and notes receivables	62,586	-	-	-	62,586
Non-trade receivables	57,979	-	-	-	57,979
Advances to employees	31,841	-	-	-	31,841
Employee receivables	31,428	-	-	-	31,428
AFS - debt investments	-	724,130	-	-	724,130
AFS - equity investments	-	16,925	-	-	16,925
Derivative assets	-	-	236	-	236
Financial Liabilities					
Accounts payable	-	-	-	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	₱10,641,637	₱741,055	₱236	₱45,044,286	₱56,427,214

The table below demonstrates the income, expense, gains or losses of the Company's financial instruments for the six-month periods ended September 30, 2011 and 2010.

	September 30, 2011 (Unaudited)		September 30, 2010 (Unaudited)	
	Increase (Decrease) Effect on Profit or Loss	Increase (Decrease) Effect on Equity	Increase (Decrease) Effect on Profit or Loss	Increase (Decrease) Effect on Equity
Loans and receivables:				
Interest income on cash in bank	₱3,951,487	₱-	₱895,177	₱-
Interest income on cash equivalents	266,121,000	-	233,064,773	-
Interest income on trade receivables	-	-	6,007,914	-
Interest on employees receivable	9,530,360	-	20,054,281	-
Interest income due from related party	-	-	1,574	-
Equity investments -				
Net gain (loss) recognized in equity	-	2,650,008	-	4,865,021
Debt investments:				
Net gain (loss) recognized in equity	-	(31,466,667)	-	16,763,249
Interest Income on ROP Bonds	822,746	-	438,905	-
Financial assets at FVPL:				
Fair value changes and premium on forward contracts	107,507,535	-	446,597,342	-
Unrealized gain (loss) on fair value changes on currency options	-	-	(9,364,622)	-
Financial liabilities at amortized cost:				
Interest expense on long-term loans	(3,173,685,505)	-	(2,811,832,572)	-
Interest expense on loan payable	(1,140,522)	-	(16,085,312)	-
Interest expense on royalty payable	(25,361,786)	-	(45,229,380)	-
	(₱2,812,254,685)	(₱28,816,659)	(₱2,175,451,920)	₱21,628,270

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 of September 30, 2011 and 2010 and December 31, 2010.

	September 30, 2010 (Unaudited)	December 31, 2010 (Audited)	September 30, 2010 (Unaudited)
Long-term liabilities	₱51,751,025,179	₱41,205,947,848	₱41,297,687,298
Equity	28,380,148,613	32,238,981,057	35,424,007,470
Debt ratio	64.6%	56.1%	53.8%

Derivative Financial Instruments

The Company's derivative financial instruments are accounted for as financial instruments at FVPL. The table below shows the fair values of the derivative financial instruments reported as assets or liabilities as of September 30, 2011 and 2010. There were no derivative financial instruments as of December 31, 2010.

	September 30, 2011 (Unaudited)		September 30, 2010 (Unaudited)	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Embedded derivatives -				
Currency options	₱-	₱-	₱236,368	₱-
Free standing derivatives				
Currency forwards	158,419,378	74,503,957	-	-
Total derivatives	₱158,419,378	₱74,503,957	₱236,368	₱-
Presented as:				
Current	₱158,419,378	₱74,503,957	₱-	₱-
Noncurrent	-	-	236,368	-
Total derivatives	₱158,419,378	₱74,503,957	₱236,368	₱-

Freestanding Derivatives. The Company enters into derivative transactions to hedge the foreign currency exposure arising from its foreign currency denominated loan contracts. In 2011 and 2010, the Company had positions in the following types of freestanding derivatives to protect itself against foreign currency risk arising from the changes on the exchange rate of the Peso in relation to the foreign currency.

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

For the nine-month period ended September 30, 2011, the Company entered into a total of thirty seven currency forward contracts. These contracts which include six buy JPY - sell US\$ foreign currency and thirty one non-deliverable forward (NDF) contracts with various counter-party banks, have notional amounts and average forward rates of JP¥2,441.0 million and JP¥83.0 and PHP225.0 million and PHP43.36, respectively. The NDF contracts involves sell US\$ – buy PHP transactions for onshore banks and buy US\$ – sell PHP transaction for offshore banks. There was a market to market gain - net of ₱107.2 million as of September 30, 2011.

In 2010, 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 ₱46.29, respectively. The total net realized gain recognized relative to these forward contracts is ₱446.57 million, with ₱12.47 million and ₱434.10 million attributable to non-deliverable and deliverable contracts, respectively.

Foreign Currency Swap Contracts. These are contractual agreements between two parties that involves selling of dollars and buying of pesos at trade date and simultaneously buying dollars and selling pesos at an agreed rate at a certain time in the future.

For the nine-month period ended September 30, 2011, the Company has entered into a total of 35 foreign exchange swap contracts with various counter-party banks. These contracts which include five sell JPY-buy PHP, two sell JPY-buy US\$ and twenty eight sell US\$-buy PHP on trade date have notional amounts of JP¥12,450.0 million, JP¥2,075.0 million and US\$701.0 million, respectively. There was a market to market gain – net of ₱44.3 million as of September 30, 2011.

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, the embedded currency options have a notional amount of €1.6 million. The embedded currency options matured on various dates until December 2010.

Fair Value Changes of Derivatives

The tables below summarize the net movement in fair values of the Company's derivatives as of September 30, 2011 and 2010 and December 31, 2010.

Freestanding Derivatives

	September 30, 2011		December 31, 2010		September 30, 2010	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Currency Forwards						
Balance at beginning of year	₱-	₱-	₱-	₱-	₱-	₱-
Net changes in fair value	395,098,781	(287,591,246)	449,477,342	(2,880,000)	430,748,096	(2,880,000)
Settlement	(236,679,403)	213,087,289	(449,477,342)	2,880,000	(430,748,096)	2,880,000
Balance at end of period	₱158,419,378	(₱74,503,957)	₱-	₱-	₱-	₱-

Embedded Derivatives

	September 30, 2011	December 31, 2010	September 30, 2010
Derivative Assets			
Balance at beginning of year	₱-	₱9,611,022	₱9,611,022
Net changes in fair value of derivatives	-	(9,598,488)	(9,364,622)
Fair value of settled derivatives	-	-	-
Foreign exchange difference	-	(12,534)	(10,032)
Balance at end of year	₱-	₱-	₱236,368

The net changes in fair value of the Company's derivatives for the periods ended September 30, 2011, and 2010, and year-ended December 31, 2010 amounting to ₱107.5 million gain, ₱437.2 million gain, and ₱424.5 million gain and, respectively were taken to the "Derivatives gain (loss)" account in the consolidated statements of income.

33. Finalization of Purchase Price Allocation for the Acquisition of the Bac-Man Geothermal Power Plants

Acquisition of BMGPP in 2010

On May 5, 2010, BGI acquired the 150 MW BMGPP in an auction conducted by PSALM where BGI submitted the highest offer price of US\$28.25 million. This acquisition was accounted for using PFRS 3 (Revised).

Located in Bacon, Sorsogon City and Manito, Albay in the Bicol region, the Bac-Man plant package consists of two steam plant complexes. The Bac-Man I geothermal facility comprises two 55 MW turbines, which were both commissioned in 1993. Bac-Man 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 that fuels these plants.

On September 3, 2010, BGI remitted to PSALM the amount of ₱1,279.73 million representing the full payment of the Bac-Man power plants acquisition.

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

	Provisional Fair Values	Final Fair Values
Property, plant and equipment	₱1,279,725,000	₱1,203,700,070
Parts and supplies inventories	–	76,024,930
Deferred tax asset	–	7,602,493
Deferred tax liability	–	(7,602,493)
Liabilities	–	–
Net assets	1,279,725,000	1,279,725,000
Percentage of ownership acquired	100%	100%
Share in net assets acquired	1,279,725,000	1,279,725,000
Goodwill arising from acquisition	–	–
Total acquisition cost	₱1,279,725,000	₱1,279,725,000

The valuation of the BMGPP including the identification and valuation of any other identifiable assets was finalized in September 2011. Thus, the interim condensed consolidated financial statements as of and for the period ended September 30, 2010 were restated to reflect the final fair values of the net assets acquired based on the purchase price allocation.

The BMGPP are currently under rehabilitation to restore capacity and reliability. Accordingly, no depreciation expense and related deferred income tax has been recognized yet for the assets and thus, no corresponding reduction in the retained earnings as of and for the nine-month period ended September 30, 2011 and 2010.

The net loss of BGI from the acquisition date until September 30, 2010 amounted to ₱2.27 million, which has been included in the Company's results of operations. The net income (loss) of Bac-Man Geothermal Power Plants for the nine-month period ended September 30, 2010, as though the acquisition date for the business combination had been as of January 1, 2010, is impracticable to determine since the Company has no access to PSALM's records.

The cash outflow related to the acquisition amounted to ₱1,304.52 million which includes the ₱1,279.73 million acquisition cost and ₱24.79 million transfer taxes and documentary stamp taxes.

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

Except for the hydro operations of FG 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.

35. Event After the Financial Reporting Period

There is no significant event after the reporting date.

Annex II

Energy Development Corporation and Subsidiaries
As of September 30, 2011
(With comparative figures for September 30, 2010)
In Million Pesos

Aging of Accounts Receivable

	Amount
Trade Receivables	
Current	2,756.6
More than 90 days past due	145.0
More than 120 days past due	37.1
Subtotal	2,938.7
Other Receivables	140.3
Total Receivables	3,079.0
Allowance for Doubtful Accounts	(129.9)
Trade and Other Receivables – Net	2,949.1

Breakdown of Liabilities

	2011	2010
A. Current Liabilities		
Loan Payable	-	-
Accounts Payable	3,740.4	2,267.9
Accrued Interest and Other Payables	1,512.8	1,482.1
Income Tax Payable	155.8	184.9
Derivative liability	74.5	-
Due to Related Parties	148.2	35.2
Total	5,631.7	3,970.1
B. Noncurrent Liabilities		
Royalty Fee Payable		
Current	315.5	247.3
Noncurrent	48.3	382.2
Long-term Debt		
Current	2,055.2	1,555.4
Noncurrent	49,695.8	39,742.3
Asset Retirement Obligations	358.6	-
Retirement Benefit Obligation and Other Noncurrent Liabilities	1,657.9	1,409.1
Total	54,131.3	43,336.3
Total Liabilities	59,763.0	47,306.4

Certified true and Correct

NESTOR H. VASAY

Senior Vice President, Chief Financial Officer
and Treasurer

November 10, 2011

Date Signed

Agnes C. de Jesus

AGNES C. DE JESUS

Senior Vice President for Environmental
and External Affairs and Compliance
Officer

November 10, 2011

Date Signed

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