



Energy Development Corporation  
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December 17, 2012

**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 advise that PhilRatings has maintained its highest credit rating of PRS Aaa for Energy Development Corporation's ₱12.0 billion bonds. The bonds were issued in two tranches, with ₱8.5 billion due in June 2015 and ₱3.5 billion due in December 2016.

Attached is a copy of the PhilRatings' press release entitled "Energy Development Corporation's ₱12.0 Billion Bonds Maintain Highest Credit Rating".

Very truly yours,

A handwritten signature in black ink, appearing to read "Erudito S. Recio".

Erudito S. Recio  
Investor Relations Manager &  
Corporate Information Officer

### **Energy Development Corporation's ₱12.0 Billion Bonds Maintain Highest Credit Rating**

Philippine Rating Services Corporation (PhilRatings) maintained the issue credit rating for Energy Development Corporation's (EDC) outstanding ₱12.0 billion bonds at **PRS Aaa**. The bonds were issued in two tranches, with ₱8.5 billion due in June 2015 and ₱3.5 billion due in December 2016.

PRS Aaa is the highest credit rating on PhilRatings' long-term credit rating scale. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

The rating was arrived at after considering: EDC's reinforced sustainable revenue stream and strong cash flow generation; enhanced standing as the leading vertically integrated geothermal power producer in the country; its financial flexibility, as well as improved debt profile, thereby mitigating various operational and financial risks; its proactive stance in addressing emerging trends in the power sector and its improved profitability.

PhilRatings' ratings are based on available information and projections at the time that the rating review is on-going. PhilRatings shall continuously monitor developments relating to EDC and may change the rating at any time, should circumstances warrant a change.

EDC's acquisition of the Bacon-Manito and Palinpinon-Tongonan geothermal facilities marked the full integration of EDC's geothermal value chain. By managing both steam production and electricity generation, EDC benefits in terms of synchronized decision making processes and operational cost savings. The company continues to generate a healthy stream of revenues from its current operating facilities despite the delays encountered in the start of commercial operations for the Bacon-Manito facility and the scheduled phased rehabilitation of the Palinpinon-Tongonan facility. Bulk of the energy production is contracted and tied to medium to long term take-or-pay contracts which provide sustainable and predictable cash flows for the company.

EDC continues to maintain healthy cash levels given the robust cash generated from its operating activities. This, coupled with adequate credit lines, provide EDC with strong financial flexibility to meet sudden liquidity needs. This was further enhanced by the loan refinancing activities of the company which effectively reduced financing costs and lengthened the average life of its loans. Debt profile has also been limited to only peso and dollar-denominated loans, with the exposure to foreign exchange risk managed given the natural hedge provided by the company's long-term contracts.

Adding to the company's operational efficiency is its well-positioned strategy in addressing emerging trends in the power sector. Geothermal projects in the pipeline are expected to deliver a substantial amount of capacity in the coming years, timely enough to meet the energy needs in the different island grids. Given the recent approval of the Feed-in-Tariff rates, pending wind projects are expected to push through and become operational in the medium term.

For the first nine months of 2012, EDC showed a smooth recovery from a challenging year with its improved bottom line. Consolidated net income for the period was at P8.6 billion, a significant turnaround from the P488 million net loss registered during the same period last year. This came as a

combined result of the company's improved revenues and controlled expenses, although the main driver for the improvement was the absence of a P5 billion one-time impairment loss booked for the Northern Negros plant in 2011. This positive trend in profitability is expected to continue going forward, particularly when the Bacon-Manito plant commences full operations and the Palinpinon-Tongonan plant completes its rehabilitation.