



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

Unaudited Interim Condensed
Consolidated Financial Statements
September 30, 2009 and 2008
(With Comparative Figures as of December 31, 2008)

and

Review Report on Unaudited Interim Condensed Consolidated
Financial Statements

SyCip Gorres Velayo & Co

SGV&Co
ERNST & YOUNG

REVIEW REPORT ON UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Stockholders and the Board of Directors
Energy Development (EDC) Corporation

Introduction

We have reviewed the accompanying unaudited interim condensed consolidated financial statements of Energy Development (EDC) Corporation and Subsidiaries, comprising the unaudited interim consolidated statements of financial position as of September 30, 2009 and 2008 and the related unaudited interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month periods then ended, and a summary of selected explanatory notes to unaudited interim condensed consolidated financial statements. Management is responsible for the preparation and presentation of these unaudited interim condensed consolidated financial statements in accordance with Philippine Financial Reporting Standards' Philippine Accounting Standard 34, "Interim Financial Reporting" (PAS 34). Our responsibility is to express a conclusion on these unaudited interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with PAS 34.

SYCIP GORRES VELAYO & CO.



Martin C. Guantes

Partner

CPA Certificate No. 88494

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PTR No. 1566434, January 5, 2009, Makati City

October 14, 2009



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

**UNAUDITED INTERIM CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2009 AND 2008
(With Comparative Figures as of December 31, 2008)**

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 5)	₱11,815,559,588	₱957,088,260	₱4,047,509,523
Trade and other receivables (Notes 6 and 21)	3,453,082,327	5,412,135,610	6,115,583,485
Current portion of concession receivable	2,082,203,422	2,048,110,310	2,098,458,611
Available-for-sale (AFS) investments	750,806,879	674,494,128	690,094,113
Parts and supplies inventories - at cost	1,518,949,734	1,563,284,383	1,496,662,837
Due from related parties (Note 25)	5,314,010	-	-
Derivative assets (Note 35)	-	614,081,623	15,502,310
Other current assets (Note 25)	719,908,198	657,407,901	360,313,005
	20,345,824,158	11,926,602,215	14,824,123,884
Noncurrent assets held for sale (Note 7)	541,842,000	1,797,587,000	1,800,516,100
Total Current Assets	20,887,666,158	13,724,189,215	16,624,639,984
Noncurrent Assets			
Concession receivable - net of current portion	31,077,179,714	32,647,323,888	33,159,383,135
Property, plant and equipment (Note 8)	6,063,980,762	5,280,149,541	4,904,373,384
Goodwill and intangible assets (Note 9)	12,121,122,880	11,882,881,883	11,772,396,939
Deferred tax assets - net (Notes 23 and 24)	1,121,396,467	3,410,392,338	2,989,707,475
Exploration and evaluation assets (Note 36)	1,028,788,629	999,757,259	942,159,084
Derivative assets (Note 35)	25,412,438	34,907,195	30,332,273
Other noncurrent assets (Note 10)	833,255,392	1,365,986,414	1,591,407,810
Total Noncurrent Assets	52,271,136,282	55,621,398,518	55,389,760,100
TOTAL ASSETS	₱73,158,802,440	₱69,345,587,733	₱72,014,400,084

LIABILITIES AND EQUITY

Current Liabilities			
Trade and other payables (Note 25)	₱2,930,539,869	₱2,979,859,848	₱3,358,484,203
Loan payable (Note 37)	2,000,000,000	2,000,000,000	84,000,000
Income tax payable (Note 24)	8,443	84,807,510	171,395,230
Due to related parties (Note 25)	170,911,278	110,920,747	4,129,911,024
Derivative liabilities (Note 35)	-	54,250,018	-
Obligations to a power plant contractor (Note 13)	-	112,187,446	170,628,173
Current portion of:			
Long-term debt (Notes 12 and 29)	14,738,416,797	8,672,427,694	7,615,181,009
Royalty fee payable (Notes 11 and 29)	209,314,859	1,688,282,467	1,714,003,653
Total Current Liabilities	20,049,191,246	15,702,735,730	17,243,603,292

(Forward)



	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 12 and 29)	₱22,736,173,022	₱23,557,027,591	₱21,724,930,777
Royalty fee payable - net of current portion (Notes 11 and 29)	607,879,950	-	-
Deferred tax liabilities (Note 23)	11,889,778	11,294,373	13,446,991
Retirement and other post-retirement benefits	1,128,991,893	1,026,394,482	996,703,413
Other long-term liabilities	268,016,524	312,816,858	310,351,983
Total Noncurrent Liabilities	24,752,951,167	24,907,533,304	23,045,433,164
Total Liabilities	44,802,142,413	40,610,269,034	40,289,036,456
Equity Attributable to Equity Holders of the Parent (Note 14)			
Common stock - 15,000,000,000 shares	15,000,000,000	15,000,000,000	15,000,000,000
Preferred stock - 7,500,000,000 shares	75,000,000	75,000,000	75,000,000
Additional paid-in capital	6,278,075,648	6,278,075,648	6,278,075,648
Deposit for future preferred stock subscription (Note 14)	18,750,000	-	-
Equity reserve	(3,706,430,769)	(3,706,430,769)	(3,706,430,769)
Accumulated unrealized gain on AFS investments	113,890,681	30,826,354	62,098,783
Retained earnings:			
Appropriated	-	-	1,653,315,043
Unappropriated	9,381,376,252	9,977,933,235	9,610,863,521
Cost of treasury stock held - 93,000,000 shares (Note 34)	(404,219,068)	(404,219,068)	(401,360,803)
	26,756,442,744	27,251,185,400	28,571,561,423
Minority Interest	1,600,217,283	1,484,133,299	3,153,802,205
Total Equity	28,356,660,027	28,735,318,699	31,725,363,628
TOTAL LIABILITIES AND EQUITY	₱73,158,802,440	₱69,345,587,733	₱72,014,400,084

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.



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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
REVENUES		
Revenue from sale of electricity	₱10,232,475,326	₱9,135,009,632
Revenue from sale of steam	3,127,551,572	3,115,122,908
Interest income on service concession	1,490,446,446	1,593,291,884
Construction revenue	521,807,836	727,247,003
Revenue from drilling services	614,406,011	515,354,505
	15,986,687,191	15,086,025,932
OPERATING EXPENSES		
Operations and maintenance (Note 16)	(4,465,325,672)	(3,699,588,320)
General and administrative (Note 17)	(2,603,534,354)	(622,182,761)
Purchased services and utilities (Note 15)	(1,375,418,661)	(1,140,700,936)
Construction costs	(449,834,341)	(626,937,071)
Depreciation and amortization (Note 8)	(572,993,095)	(506,856,939)
	(9,467,106,123)	(6,596,266,027)
FINANCIAL INCOME (EXPENSES)		
Interest income (Note 19)	305,132,477	250,550,599
Interest expense	(2,063,641,356)	(1,636,774,397)
	(1,758,508,879)	(1,386,223,798)
OTHER INCOME (CHARGES)		
Foreign exchange gain (loss) (Note 18)	197,091,575	(5,533,898,528)
Revenue from arbitration award (Note 21)	-	2,067,343,343
Derivatives loss - net (Note 35)	(185,153,946)	(69,108,155)
Miscellaneous - net (Note 20)	(28,232,420)	223,995,551
	(16,294,791)	(3,311,667,789)
INCOME BEFORE INCOME TAX	4,744,777,398	3,791,868,318
PROVISION FOR INCOME TAX (Notes 23 and 24)		
Current	(1,066,284,121)	(1,550,882,031)
Deferred:		
Effect of Renewable Energy Law (Note 24)	(2,959,179,200)	-
Others	669,587,924	412,175,596
	(3,355,875,397)	(1,138,706,435)
NET INCOME	₱1,388,902,001	₱2,653,161,883
Attributable to		
Equity holders of the parent	₱1,272,818,017	₱2,594,267,160
Minority interest	116,083,984	58,894,723
	₱1,388,902,001	₱2,653,161,883
Basic/Diluted Earnings Per Share Attributable to Equity Holders		
of the Parent (Note 22)	₱0.068	₱0.138

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.



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

UNAUDITED INTERIM CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
NET INCOME FOR THE PERIOD	₱1,388,902,001	₱2,653,161,883
OTHER COMPREHENSIVE INCOME (LOSS)		
Changes in fair value recognized in equity	79,735,694	(260,127,078)
Net unrealized gain removed from equity and recognized in profit or loss (see Note 35)	3,328,633	(46,323,392)
Adjustment of related deferred tax liability of properties stated at appraised values and designated at deemed cost	–	(449,433,873)
	83,064,327	(755,884,343)
TOTAL COMPREHENSIVE INCOME	₱1,471,966,328	₱1,897,277,540
Attributable to		
Equity holders of the parent	₱1,355,882,344	₱1,838,382,817
Minority interest	116,083,984	58,894,723
	₱1,471,966,328	₱1,897,277,540

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.



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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock Common	Preferred	Additional Paid-in Capital	Deposit for Future Preferred Stock subscription	Equity Reserve	Accumulated Unrealized Gain on AFS Investments	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock - Common	Total	Minority Interest	Total Equity
Balances, December 31, 2008	₱15,000,000,000	₱75,000,000	₱6,278,075,648	₱-	(₱3,706,430,769)	₱30,826,354	₱-	₱9,977,933,235	(₱404,219,068)	₱27,251,185,400	₱1,484,133,299	₱28,735,318,699
Total comprehensive income	-	-	-	-	-	83,064,327	-	1,272,818,017	-	1,355,882,344	116,083,984	1,471,966,328
Deposit for future preferred stock subscription (Notes 14 and 30)	-	-	-	18,750,000	-	-	-	-	-	18,750,000	-	18,750,000
Cash dividends (Note 30)	-	-	-	-	-	-	-	(1,869,375,000)	-	(1,869,375,000)	-	(1,869,375,000)
Balances, September 30, 2009	₱15,000,000,000	₱75,000,000	₱6,278,075,648	₱18,750,000	(₱3,706,430,769)	₱113,890,681	₱-	₱9,381,376,252	(₱404,219,068)	₱26,756,442,744	₱1,600,217,283	₱28,356,660,027
Balances, December 31, 2007	₱15,000,000,000	₱75,000,000	₱6,278,075,648	₱-	(₱3,706,430,769)	₱368,549,253	₱1,653,315,043	₱11,519,030,231	₱-	₱31,187,539,406	₱3,344,907,482	₱34,532,446,888
Total comprehensive income	-	-	-	-	-	(306,450,470)	-	2,144,833,287	-	1,838,382,817	58,894,723	1,897,277,540
Redemption of common shares	-	-	-	-	-	-	-	-	(401,360,803)	(401,360,803)	-	(401,360,803)
Cash dividends	-	-	-	-	-	-	-	(4,052,999,997)	-	(4,052,999,997)	-	(4,052,999,997)
Cash dividends to minority interest	-	-	-	-	-	-	-	-	-	-	(250,000,000)	(250,000,000)
Balances, September 30, 2008	₱15,000,000,000	₱75,000,000	₱6,278,075,648	₱-	(₱3,706,430,769)	₱62,098,783	₱1,653,315,043	₱9,610,863,521	(₱401,360,803)	₱28,571,561,423	₱3,153,802,205	₱31,725,363,628

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.



ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES

A Subsidiary of Red Vulcan Holdings Corporation

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱4,744,777,398	₱3,791,868,318
Adjustments for:		
Interest expense	2,063,641,356	1,636,774,397
Interest income on service concession	(1,490,446,446)	(1,593,291,884)
Depreciation and amortization (Note 8)	572,993,095	506,856,939
Interest income (Note 19)	(305,132,477)	(250,550,599)
Write-off of input Value Added Tax (VAT) claimed (Note 20)	178,639,119	–
“Day 1” gain on deferred royalties (Note 20)	(168,284,986)	–
Unrealized foreign exchange losses	164,707,056	6,166,211,119
Write-down of inventories for disposal (Note 17)	119,753,786	–
Provision for retirement and other benefits	102,597,410	100,326,416
Provision for doubtful accounts (Note 17)	96,773,207	8,009,007
Write-down of exploration and evaluation assets (Note 20)	77,622,605	–
Receipt of inventories from power plant contractor (Note 20)	(53,992,600)	(260,614,700)
Losses from unused tax credit certificate and others	12,207,982	–
Derivatives loss - net	9,505,321	69,108,156
Loss on sale of noncurrent asset held for sale	4,000,000	–
Impairment loss on noncurrent AFS investments (Note 35)	3,328,633	–
Loss on retirement of property, plant and equipment (Note 8)	58,190	110,231
Reduction in allowance for doubtful accounts (Note 17)	–	(1,116,185,993)
“Day 1” loss on NPC receivable (Note 20)	–	189,790,628
Gain on sale of AFS investments (Notes 20 and 35)	–	(46,323,392)
Operating income before working capital changes	6,132,748,649	9,202,088,643
Decrease (increase) in:		
Trade and other receivables	2,393,623,116	(989,578,892)
Concession receivable	3,026,497,509	3,230,870,663
Parts and supplies inventories	(21,426,538)	(95,262,769)
Other current assets	(377,377,141)	(313,082,007)
Increase (decrease) in:		
Trade and other payables	190,243,980	(765,780,908)
Due to related parties	(47,148,848)	11,463,530
Royalty fee payable	(788,326,726)	(484,697,707)
Cash generated from operations	10,508,834,001	9,796,020,553
Retirement and other long-term liabilities	(44,800,333)	(35,509,424)
Income taxes paid	(698,862,032)	(1,300,402,229)
Interest and financing charges paid	(2,004,983,843)	(1,331,106,555)
Net cash flows from operating activities	7,760,187,793	7,129,002,345
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of noncurrent assets held for sale	1,127,745,000	–
Acquisition of property, plant and equipment (Note 8)	(1,075,793,055)	(615,951,404)
Proceeds from sale of AFS investments	–	302,504,782
Proceeds from sale of property, plant and equipment	–	245,660
Additions to intangible assets (Note 9)	(521,807,837)	(727,247,004)
Decrease (increase) in:		
Other noncurrent assets	275,396,263	844,767,840
Amounts due from related parties	(162,434,189)	–
Exploration and evaluation assets	(107,699,453)	229,763,091
Interest received	246,370,926	177,816,853
Net cash flows from (used in) investing activities	(218,222,345)	211,899,818

(Forward)



	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of long-term debt	₱13,100,000,000	₱84,000,000
Advances from related parties	274,641,788	-
Deposit for future preferred stock subscription	18,750,000	-
Payments of:		
Long-term debts	(8,090,280,067)	(1,785,340,828)
Cash dividends	(1,869,375,000)	(4,302,999,997)
Obligations to a power plant contractor	(113,490,959)	(193,508,405)
Advances from related parties	-	(5,338,622)
Purchase of treasury stock	-	(401,360,803)
Net cash flows from (used in) financing activities	<u>3,320,245,762</u>	<u>(6,604,548,655)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,862,211,210	736,353,508
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(3,739,882)	14,579,065
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	957,088,260	3,296,576,950
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱11,815,559,588	₱4,047,509,523

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.



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

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

1. Corporate Information

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

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

^(a) A wholly owned subsidiary through FL Geothermal.

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

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

In May 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 to become the ultimate parent of EDC effective on May 12, 2009.

The Parent Company operates twelve geothermal projects in five geothermal service contract areas, namely Leyte Geothermal Production Field (LGPF), Southern Negros Geothermal Production Field, BacMan Geothermal Production Field, Mindanao Geothermal Production Field and Northern Negros Geothermal Production Field under the Geothermal Service Contracts (GSCs) entered into with the Department of Energy (DOE) pursuant to the provisions of Presidential Decree (P.D.) 1442. Geothermal steam produced is sold to the National Power Corporation (NPC) or are fed to the Parent Company’s Build-Operate-Transfer (BOT) contractors’ power plants to produce electricity. EDC sells steam and power to NPC under the Steam Sales Agreements (SSAs) and Power Purchase Agreements (PPAs), respectively. EDC also sells electricity to Iloilo 1 Electric Cooperative (ILECO) under the Electricity Sales Agreement. Separately, it also has drilling activities in Papua New Guinea.



On October 20 and November 17, 2008, in line with its objective of focusing on renewable energy, the Parent Company acquired a total of 60% interest in FG Hydro from First Gen. FG Hydro operates the 112 Megawatt (MW) Pantabangan and Masiway Hydro-Electric Power Plants (PAHEP/MAHEP) located in Nueva Ecija, Philippines. FG Hydro buys from and sells electricity to Wholesale Electricity Spot Market (WESM) and to various distribution utilities under the Transition Power Supply Contracts (TPSCs).

FL Geothermal is a special purpose company incorporated on April 9, 2008 to participate in the bid for another local power plant. The bid was won by and awarded to another local entity. Thereafter, there has been no business activity yet as far as FL Geothermal is concerned other than investment holding of a subsidiary.

FL Geothermal owns 100% of GCGI, a special purpose company incorporated on June 8, 2009 to participate in the bid for another local power plant. Green Core has an authorized capital stock of ₱1.0 million divided into 100,000 shares with a par value of ₱10.00 per share. Total subscribed and paid-up capital is ₱.25 million, 25% of the authorized capital stock.

EDC Drillco Corporation is a company incorporated on September 28, 2009 to act as an independent service contractor, consultant, specialized technical adviser for well construction and drilling and other allied activities. EDC Drillco has an authorized capital stock of ₱1.0 million divided into 1,000,000 shares with a par value of ₱1.00 per share. Total subscribed and paid-up capital is ₱.25 million, 25% of the authorized capital stock.

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

The unaudited interim condensed consolidated financial statements were reviewed and recommended for approval by the Audit and Governance Committee to the Board of Directors (BOD) on October 14, 2009. The same unaudited interim condensed consolidated financial statements were also approved and authorized for issuance by the BOD on October 14, 2009.

2. Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Philippine Accounting Standard (PAS) 34, "Interim Financial Reporting." Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2008.

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



3. Significant Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements as of and for the year ended December 31, 2008, except for the adoption of the following new and amended PFRS, Philippine Interpretations and improvements to PFRS, which became effective beginning January 1, 2009.

- *Amendments to PFRS 7, Financial Instruments: Disclosures*
This amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three-level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures are presented in Note 35 to the unaudited interim condensed consolidated financial statements.
- *PFRS 8, Operating Segments*
This standard requires disclosure of information about the Company's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company. Adoption of this standard did not have any effect on the financial position or performance of the Company. The Company determined that the operating segments were the same as the business segments previously identified under PAS 14, "Segment Reporting." Additional disclosures about each of these segments are shown in Note 4 to the unaudited interim condensed consolidated financial statements, including revised comparative information.
- *Amendments to PAS 1, Presentation of Financial Statements*
This amended standard separates owner and non-owner changes in equity. The consolidated statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the consolidated statement of comprehensive income. It presents all items of recognized income and expenses, either in one consolidated single statement (a consolidated statement of comprehensive income), or in two linked consolidated statements (a separate consolidated statement of income and a consolidated statement of comprehensive income). The Company has elected to present two linked statements in its unaudited interim condensed consolidated financial statements.

Adoption of the following changes in PFRS did not have impact on the Company's unaudited interim condensed consolidated financial statements.

- *PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- *PFRS 2, Share-based Payment - Vesting Condition and Cancellations*
- *PAS 23, Borrowing Costs (Revised)*
- *Amendments to PAS 27, Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- *Amendment to PAS 32, Financial Instruments: Presentation, and PAS 1, Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*



- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*

Improvements to PFRSs. In May 2008, the International Accounting Standards Board (IASB) issued its first omnibus of amendments to certain standards, primarily with a view of removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The amendments to the following standards did not have any significant impact on the financial position or performance of the Company.

- PAS 1, *Presentation of Financial Statements*
- PAS 16, *Property, Plant and Equipment*
- PAS 19, *Employee Benefits*
- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*
- PAS 23, *Borrowing Costs*
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 28, *Investments in Associates*
- PAS 29, *Financial Reporting in Hyperinflationary Economies*
- PAS 31, *Interests in Joint Ventures*
- PAS 36, *Impairment of Assets*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- PAS 40, *Investment Property*
- PAS 41, *Agriculture*
- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*

Updates on New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective Subsequent to December 31, 2009

The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Improvements to PFRSs. The Financial Reporting Standards Council approved in its meeting in May 2009 the adoption of *Improvements to IFRSs* issued by IASB in April 2009 effective in 2010.

- PFRS 2, *Share-based Payment*
The amendment clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3.
- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
The amendment clarifies that the disclosures required in respect of non-current assets or disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations.

It also clarifies that the general requirements of PAS 1 still apply, particularly paragraphs 15 (to achieve fair presentation) and 125 (sources of estimation and uncertainty) of PAS 1.



- *PFRS 8, Operating Segments*
The amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the Chief Operating Decision Maker (CODM).
- *PAS 1, Presentation of Financial Statements*
The terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- *PAS 7, Statement of Cash Flows*
The amendment explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.
- *PAS 17, Leases*
The amendment removes the specific guidance on classifying land as lease so that only the general guidance remains.
- *PAS 18, Revenue*
The IASB has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as agent. The features indicating an entity is acting as a principal are whether the entity: (a) has primary responsibility for providing the goods or services; (b) has inventory risk; (c) has discretion in establishing prices; and (d) bears the credit risk.
- *PAS 36, Impairment of Assets*
The amendment clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in PFRS 8 before aggregation for reporting purposes.
- *PAS 38, Intangible Assets*
The amendment clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives.

It also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- *PAS 39, Financial Instruments: Recognition and Measurement*
The amendment clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.

The amendment also clarifies that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.



It also clarifies that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- *IFRIC 9, Reassessment of Embedded Derivatives*
The improvement clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.
- *IFRIC 16, Hedges of a Net Investment in a Foreign Operation*
The improvement states that in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

Updates on significant accounting policies. On July 15, 2009, the SEC issued SEC Memorandum Circular 8, Series of 2009 which covers scales of fines for non-compliance with the financial reporting requirements of the SEC. The memorandum circular provides guidance on what it considered as material deficiency. Accordingly, the Company updates its significant accounting policies in compliance with the said memorandum circular. The following significant accounting policies in addition to those disclosed on the Company's annual consolidated financial statements were consistently applied by the Company in its annual consolidated financial statements and unaudited interim condensed consolidated financial statements.

Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises prepaid rentals and insurance premiums, creditable withholding tax and advance payment to contractors. The prepaid rentals and insurance premiums are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statement of income when incurred; creditable withholding tax are deducted from income tax payable on the same year the revenue was recognized; and the advance payment to contractors are reclassified to the proper asset or expense account and deducted from the contractor's billings as specified on the provision of the contract. Prepayments that are expected to be realized for no more than twelve months after the reporting period are classified as current asset otherwise these are classified as other non-current asset.

Capital Stock

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settled the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.



Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to the “Additional paid-in capital” account. If additional paid-in capital is not sufficient, the excess is charged against the equity reserve account.

Equity Reserve

Equity reserve was recognized as the difference between the amount paid by EDC against its share in the paid-in capital of FG Hydro. This accounted resulted from the acquisition of FG Hydro in 2008 accounted for under the pooling-of-interests method. In accordance with the pooling-of-interests method, the prior year consolidated financial statements of EDC were restated to reflect the acquisition as if it occurred on November 29, 2007, the date when First Gen acquired and controlled EDC.

Purchased Services and Utilities and Operations and Maintenance Expenses

These include expenses incurred by the departments directly responsible for the generation of revenues from steam, electricity and drilling services (i.e., Plant Operations, Production, Maintenance, Transmission and Dispatch, Wells Drilling and Maintenance Department) at operating project locations. Purchased services and utilities and operations and maintenance expenses are expensed as incurred.

General and Administrative Expenses

General and administrative expenses constitute costs of administering the business and normally include the expenses incurred by the departments in Head Office (i.e., Management and Services, and Project Location’s Administrative Services Department). General and administrative expenses are expensed as incurred.

Construction Cost

In conjunction with the policy on Service Concession Arrangements, the Company accounts and measures construction costs in accordance with PAS 11, “Construction Contracts”, and IFRIC 12, “Service Concession Arrangements”. This includes costs that relate directly to the construction of the infrastructure project that the Company incurs for the purpose of the service concession arrangement with the Philippine Government. These costs include costs that are related directly to the specific contract such as well drilling costs and costs incurred by departments directly responsible for the infrastructure project and costs that are attributable to the contract activity in general and can be allocated to the contract. This also includes accumulated exploration and evaluation costs incurred by the project once the technical, commercial and economic viability of the project are established.

4. Segment Revenue and Segment Results for Operating Segments

The Company’s operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Company’s identified operating segments, which are consistent with the segments reported to the BOD, the CODM of the Company, are as follows:

- a. Electricity segment - These are revenues generated by EDC’s power plants covered by long-term PPAs with NPC and First Gen Hydro’s spot sales to and buying from the WESM and with various distribution utilities covered by TPSCs.



- b. Steam segment - These are revenues from sale of steam to NPC plants covered by SSAs.
- c. All other segments - These are revenues generated from drilling services to Lihir Gold Ltd. and construction revenue recognized in compliance with IFRIC 12. This is in compliance with the provision of paragraph 16 of PFRS 8 which provides that “*Information about other business activities and operating segments that are not reportable shall be combined and disclosed in an ‘all other segments’ category separately from other reconciling items in the reconciliations required by paragraph 28. The sources of the revenue included in the ‘all other segments’ category shall be described*”. The combined revenue, assets and liabilities for all other segments are slightly below the 10% threshold.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and other sales taxes or duty.

All segment revenues are from external parties, with NPC as the main customer for the electricity segment which comprised 90% of the total electricity revenue and the only customer for the steam segment.

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

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.

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.

Financial information on the operating segments are summarized as follows:

	Electricity	Steam	All Other Segments	Total
Period Ended September 30, 2009				
(Unaudited)				
Segment revenue*	₱11,558,222,353	₱3,292,250,991	₱1,136,213,847	₱15,986,687,191
Segment expenses	(6,051,995,203)	(2,323,499,199)	(1,043,385,365)	(9,418,879,767)
Unallocated segment expenses	–	–	–	(10,218,356)
Segment results	5,506,227,150	968,751,792	92,828,482	6,557,589,068
Unallocated interest income	–	–	–	305,132,477
Unallocated interest expense	–	–	–	(2,063,641,356)
Unallocated other charges	–	–	–	(54,302,791)
Unallocated income taxes	–	–	–	(3,355,875,397)
Net income	₱5,506,227,150	₱968,751,792	₱92,828,482	₱1,388,902,001
Period Ended September 30, 2008				
(Unaudited)				
Segment revenue*	₱10,527,913,601	₱3,315,510,823	₱1,242,601,508	₱15,086,025,932
Segment expenses	(3,635,397,675)	(1,887,597,727)	(1,067,433,786)	(6,590,429,188)
Unallocated segment expenses	–	–	–	(5,836,839)

(Forward)



	Electricity	Steam	All Other Segments	Total
Segment results	₱6,892,515,926	₱1,427,913,096	₱175,167,722	₱8,489,759,905
Unallocated interest income	-	-	-	250,550,599
Unallocated interest expense	-	-	-	(1,636,774,397)
Unallocated other charges	-	-	-	(3,311,667,789)
Unallocated income taxes	-	-	-	(1,138,706,435)
Net income	₱6,892,515,926	₱1,427,913,096	₱175,167,722	₱2,653,161,883

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

	Electricity	Steam	All Other Segments	Total
As of September 30, 2009				
(Unaudited)				
Segment assets	₱59,133,058,415	₱561,917,591	₱1,196,596,869	₱60,891,572,875
Unallocated corporate assets	-	-	-	12,267,229,565
Total assets	₱59,133,058,415	₱561,917,591	₱1,196,596,869	₱73,158,802,440
Segment liabilities	(₱19,573,260,669)	(₱8,827,852,963)	(₱157,930,910)	(₱28,559,044,542)
Unallocated corporate liabilities	-	-	-	(16,243,097,871)
Total liabilities	(₱19,573,260,669)	(₱8,827,852,963)	(₱157,930,910)	(₱44,802,142,413)

As of December 31, 2008				
(Audited)				
Segment assets	₱61,382,187,953	₱2,069,496,194	₱1,339,116,841	₱64,790,800,988
Unallocated corporate assets	-	-	-	4,554,786,745
Total assets	₱61,382,187,953	₱2,069,496,194	₱1,339,116,841	₱69,345,587,733
Segment liabilities	(₱25,273,809,991)	(₱12,870,231,610)	(₱254,472,633)	(₱38,398,514,234)
Unallocated corporate liabilities	-	-	-	(2,211,754,800)
Total liabilities	(₱25,273,809,991)	(₱12,870,231,610)	(₱254,472,633)	(₱40,610,269,034)

As of September 30, 2008				
(Unaudited)				
Segment assets	₱61,643,311,437	₱1,796,842,246	₱949,685,159	₱64,389,838,842
Unallocated corporate assets	-	-	-	7,624,561,242
Total assets	₱61,643,311,437	₱1,796,842,246	₱949,685,159	₱72,014,400,084
Segment liabilities	(₱20,612,987,154)	(₱11,133,977,615)	(₱146,009,341)	(₱31,892,974,110)
Unallocated corporate liabilities	-	-	-	(8,396,062,346)
Total liabilities	(₱20,612,987,154)	(₱11,133,977,615)	(₱146,009,341)	(₱40,289,036,456)

5. Cash and Cash Equivalents

This account consists of the following:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Cash on hand and in banks	₱1,806,817,958	₱27,875,003	₱65,395,033
Cash equivalents	10,008,741,630	929,213,257	3,982,114,490
	₱11,815,559,588	₱957,088,260	₱4,047,509,523



6. Trade and Other Receivables

This account consists of the following:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Trade	₱3,278,443,277	₱4,774,822,706	₱5,423,555,023
Others	187,324,418	649,092,967	695,528,469
Total	3,465,767,695	5,423,915,673	6,119,083,492
Less allowance for doubtful accounts	12,685,368	11,780,063	3,500,007
	₱3,453,082,327	₱5,412,135,610	₱6,115,583,485

7. Noncurrent Assets Held for Sale

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Land	₱541,842,000	₱1,669,587,000	₱1,672,516,100
Buildings, improvements and equipment	-	128,000,000	128,000,000
	₱541,842,000	₱1,797,587,000	₱1,800,516,100

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

The 19,785 square meters of land and buildings together with the improvements and immovable equipment were sold for ₱1,127.5 million through a deed of absolute sale dated May 29, 2009. The said sale resulted in the recognition of loss on sale amounting to ₱35.5 million for the related documentary stamp taxes paid (see Note 20).

Management expects that the remaining 9,506 square meters portion of the land will be sold in 2009.



8. Property, Plant and Equipment

September 30, 2009
(Unaudited)

	Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Laboratory Equipment	Land	Major Spares and Others	Construction in-Progress	Total
Cost									
Balance at January 1, 2009	₱3,856,663,035	₱1,198,403,584	₱72,844,529	₱208,031,987	₱58,900,151	₱332,797,023	₱21,088,394	₱1,073,721,431	₱6,822,450,134
Additions	10,199,183	460,318,953	1,805,239	11,697,287	8,974,935	268,683	44,371,414	538,157,361	1,075,793,055
Retirements	–	(1,409,209)	(3,927,300)	(3,481,552)	–	–	20,271	–	(8,797,790)
Balance at September 30, 2009	3,866,862,218	1,657,313,328	70,722,468	216,247,722	67,875,086	333,065,706	65,480,079	1,611,878,792	7,889,445,399
Accumulated Depreciation									
Balance at January 1, 2009	444,527,765	856,086,805	51,248,444	145,019,664	45,417,915	–	–	–	1,542,300,593
Depreciation	146,380,975	118,977,145	5,697,506	14,704,246	3,666,383	–	–	–	289,426,255
Retirements	–	(1,404,705)	(3,927,292)	(3,407,603)	–	–	–	–	(8,739,600)
Reclassifications	–	1,372,152	1,105,237	–	–	–	–	–	2,477,389
Balance at September 30, 2009	590,908,740	975,031,397	54,123,895	156,316,307	49,084,298	–	–	–	1,825,464,637
Net Book Value	₱3,275,953,478	₱682,281,931	₱16,598,573	₱59,931,415	₱18,790,788	₱333,065,706	₱65,480,079	₱1,611,878,792	₱6,063,980,762

December 31, 2008
(Audited)

	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, 2008	₱4,117,504,205	₱1,169,970,107	₱64,198,354	₱176,389,465	₱49,244,740	₱328,306,933	₱27,737,419	₱201,851,481	₱6,135,202,704
Additions	16,437,730	24,236,030	9,703,464	23,262,317	6,613,656	1,705,540	15,789,575	974,772,407	1,072,520,719
Retirements/Write-off	(792,412)	(1,183,153)	(87,290)	(8,602,616)	(1,171,802)	(144,550)	(33,571)	–	(12,015,394)
Reclassifications	(276,486,488)	5,380,600	(969,999)	16,982,821	4,213,557	2,929,100	(22,405,029)	(102,902,457)	(373,257,895)
Balance at December 31, 2008	3,856,663,035	1,198,403,584	72,844,529	208,031,987	58,900,151	332,797,023	21,088,394	1,073,721,431	6,822,450,134
Accumulated Depreciation									
Balance at January 1, 2008	420,490,218	787,004,802	43,692,732	131,376,010	40,403,183	–	–	–	1,422,966,945
Depreciation	190,681,307	74,639,764	8,145,749	19,805,270	4,441,799	–	–	–	297,713,889
Retirements/Write-off	(611,841)	(1,136,659)	(87,289)	(8,470,136)	(1,171,779)	–	–	–	(11,477,704)
Reclassifications	(166,031,919)	(4,421,102)	(502,748)	2,308,520	1,744,712	–	–	–	(166,902,537)
Balance at December 31, 2008	444,527,765	856,086,805	51,248,444	145,019,664	45,417,915	–	–	–	1,542,300,593
Net Book Value	₱3,412,135,270	₱342,316,779	₱21,596,085	₱63,012,323	₱13,482,236	₱332,797,023	₱21,088,394	₱1,073,721,431	₱5,280,149,541



September 30, 2008
(Unaudited)

	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, 2008	₱4,117,504,205	₱1,169,970,107	₱64,198,354	₱176,389,465	₱49,244,740	₱328,306,933	₱27,737,419	₱201,851,481	₱6,135,202,704
Additions	13,581,678	12,612,618	9,703,464	18,513,476	6,327,341	1,472,127	5,705,574	548,035,126	615,951,404
Retirements	(23,499)	(1,183,153)	(87,290)	(8,419,837)	(1,171,802)	–	66,286	–	(10,819,295)
Sale	–	–	–	–	–	(144,550)	(101,110)	–	(245,660)
Reclassifications	(276,458,267)	6,162,284	(969,999)	17,557,197	3,914,739	–	(20,868,878)	(94,564,287)	(365,227,211)
Balance at September 30, 2008	3,854,604,117	1,187,561,856	72,844,529	204,040,301	58,315,018	329,634,510	12,539,291	655,322,320	6,374,861,942
Accumulated Depreciation									
Balance at January 1, 2008	420,490,218	787,004,802	43,692,732	131,376,010	40,403,183	–	–	–	1,422,966,945
Depreciation	147,691,988	51,596,945	6,046,772	14,719,924	3,234,470	–	–	–	223,290,099
Retirements	(38,996)	(1,121,161)	(87,289)	(8,289,838)	(1,171,779)	–	–	–	(10,709,063)
Reclassifications	(169,623,033)	893,761	(502,749)	2,427,886	1,744,712	–	–	–	(165,059,423)
Balance at September 30, 2008	398,520,177	838,374,347	49,149,466	140,233,982	44,210,586	–	–	–	1,470,488,558
Net Book Value	₱3,456,083,940	₱349,187,509	₱23,695,063	₱63,806,319	₱14,104,432	₱329,634,510	₱12,539,291	₱655,322,320	₱4,904,373,384

Details of depreciation and amortization charges are shown below:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Property, plant and equipment	₱289,426,255	₱297,713,889	₱223,290,099
Intangible assets (Note 9)	283,566,840	378,089,119	283,566,840
Depreciation and amortization	₱572,993,095	₱675,803,008	₱506,856,939
Operating expenses	₱262,374,295	₱278,986,219	₱201,759,662
General and administrative	27,051,960	18,727,670	21,530,437
Depreciation	₱289,426,255	₱297,713,889	₱223,290,099

Construction in-progress includes capital expenditures related to the on-going Pantabangan Refurbishment and Upgrade Project (PRUP) amounting to ₱1,399.2 million as of September 30, 2009. On January 24, 2008, FG Hydro signed the Letter of Acceptance (LA) for the PRUP with VA TECH HYDRO GmbH, now known as Andritz Hydro GmbH (Contractor), an Austrian company. The contract provides that the Contractor will undertake the engineering, procurement, installation, testing and commissioning of the PRUP, with a total contract price of €30.3 million (\$44.7 million).



9. Goodwill and Intangible Assets

September 30, 2009 (Unaudited)				
	Intangible Assets Arising from Service Concessions	Water Rights	Goodwill	Total
Cost				
Balance at January 1, 2009	₱8,835,385,122	₱2,404,778,918	₱293,316,082	₱12,533,480,122
Additions	521,807,837	-	-	521,807,837
Balance at September 30, 2009	10,357,192,959	2,404,778,918	293,316,082	13,055,287,959
Accumulated Amortization				
Balance at January 1, 2009	446,192,031	204,406,208	-	650,598,239
Amortization	211,423,472	72,143,368	-	283,566,840
Balance at September 30, 2009	657,615,503	276,549,576	-	934,165,079
Net Book Value	₱9,699,577,456	₱2,128,229,342	₱293,316,082	₱12,121,122,880

December 31, 2008 (Audited)				
	Intangible Assets Arising from Service Concessions	Water Rights	Goodwill	Total
Cost				
Balance at January 1, 2008	₱8,903,130,895	₱2,404,778,918	₱293,316,082	₱11,601,225,895
Additions	932,254,227	-	-	932,254,227
Balance at December 31, 2008	9,835,385,122	2,404,778,918	293,316,082	12,533,480,122
Accumulated Amortization				
Balance at January 1, 2008	164,294,068	108,215,052	-	272,509,120
Amortization	281,897,963	96,191,156	-	378,089,119
Balance at December 31, 2008	446,192,031	204,406,208	-	650,598,239
Net Book Value	₱9,389,193,091	₱2,200,372,710	₱293,316,082	₱11,882,881,883

September 30, 2008 (Unaudited)				
	Intangible Assets Arising from Service Concessions	Water Rights	Goodwill	Total
Cost				
Balance at January 1, 2008	₱8,903,130,895	₱2,404,778,918	₱293,316,082	₱11,601,225,895
Additions	727,247,004	-	-	727,247,004
Balance at September 30, 2008	9,630,377,899	2,404,778,918	293,316,082	12,328,472,899
Accumulated Amortization				
Balance at January 1, 2008	164,294,068	108,215,052	-	272,509,120
Amortization	211,423,472	72,143,368	-	283,566,840
Balance at September 30, 2008	375,717,540	180,358,420	-	556,075,960
Net book value	₱9,254,660,359	₱2,224,420,49	₱293,316,08	₱11,772,396,939

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



10. Other Noncurrent Assets

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Long-term receivables	₱2,349,308,721	₱2,780,884,962	₱2,736,465,967
Input VAT (see Note 20)	315,633,320	423,004,135	361,460,242
Prepaid expenses	119,878,799	22,359,991	24,262,647
Special deposits and funds	38,981,231	37,171,098	31,418,324
Royalty fee chargeable to NPC	–	–	364,908,024
Others	66,344,796	63,589,801	34,587,960
	2,890,146,867	3,327,009,987	3,553,103,164
Less allowance for doubtful accounts	2,056,891,475	1,961,023,573	1,961,695,354
	₱833,255,392	₱1,365,986,414	₱1,591,407,810

Long-term receivables

The composition of long-term receivables is as follows:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Claims for VAT refund	₱2,319,401,701	₱1,894,719,994	₱1,894,719,994
NPC accounts and other receivables	29,907,020	886,164,968	959,408,510
Day 1 interest on NPC	–	–	(117,662,537)
	2,349,308,721	2,780,884,962	2,736,465,967
Less allowance for doubtful accounts			
Claims for VAT refund	2,026,984,455	1,894,719,994	1,894,719,994
NPC accounts and other receivables	29,907,020	66,303,579	66,975,360
	2,056,891,475	1,961,023,573	1,961,695,354
	₱292,417,246	₱819,861,389	₱774,770,613

Others include AFS equity securities amounting to ₱16.0 million, ₱13.6 million, ₱20.8 million as of September 30, 2009, December 31, 2008 and September 30, 2008, respectively.

11. Royalty Fee Payable

On July 8, 2009, the Parent Company negotiated with the DOE for the payment of deferred royalty due to DOE amounting to ₱1.4 billion for a period of four years with a quarterly amortization of ₱87.5 million or an annual payment of ₱350.0 million. This resulted in the recognition of “Day 1” gain amounting to ₱168.3 million in the “Miscellaneous-net” account in the September 30, 2009 unaudited interim condensed consolidated statement of income (see Note 20). Beginning in 2009, royalty fee due shall be paid as it becomes due.

On September 11, 2009, the Parent Company received the provisional certificates of registration as Renewable Energy (RE) Developer.



Royalty fee expense decreased due to the fiscal incentives availed pursuant to the RE Law. The RE Law was implemented retroactive to February 1, 2009, which is the effective date of the RE Law.

12. Long-term Debt

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Total US Dollar-denominated debt	₱5,789,083,098	₱6,636,009,076	₱7,043,964,414
Total Japanese Yen-denominated debt	18,764,176,572	25,593,446,209	22,296,147,372
Total Peso-denominated debt (see Note 28)	12,921,330,149	-	-
	37,474,589,819	32,229,455,285	29,340,111,786
Current portion	(14,738,416,797)	(8,672,427,694)	(7,615,181,009)
Long-term portion	₱22,736,173,022	₱23,557,027,591	₱21,724,930,777

The Company's foreign currency-denominated long-term debts were translated into Philippine pesos based on the prevailing foreign exchange rates at the date of the unaudited interim consolidated statement of financial position (US\$1=JPY90.106: US\$1=PHP47.390 on September 30, 2009, US\$1=JPY90.942: US\$1=PHP47.520 on December 31, 2008 and US\$1=JPY104.188: US\$1=PHP47.050 on September 30, 2008).

As of September 30, 2009, the Company is in compliance with the loan covenants of all its outstanding debt except for the prohibition in issuing any guarantee by the Parent Company and the financial debt to earnings before income tax, depreciation and amortization (EBITDA) ratio required by IFC for which it has obtained a waiver as discussed below.

Waivers and temporary amendment of IFC Loan Agreement

As of September 30, 2009, the IFC has approved the Parent Company's requests for waivers and temporary amendments to the provisions of the Loan Agreement which prohibit EDC from issuing any guarantees and for EDC to maintain at all times on an Unconsolidated Basis, a Financial Debt to EBITDA Ratio of not more than 3.6, such temporary waiver to be effective for the period from September 30, 2009 to earlier of (a) December 31, 2010 or (b) the date falling at the end of any quarter ending prior to December 31, 2010 on which EDC has submitted evidence satisfactory to IFC that EDC's Financial Debt to EBITDA on a unconsolidated basis for such quarter is not more than 3.6 ("Temporary Waiver Period").

The temporary waivers and amendments to the Loan Agreement are granted subject to the following conditions:

1. Parent Company's issuance of a guarantee to the lenders of FG Hydro Loan for up to US\$72 million shall cover only:
 - a. The punctual and complete payment when due and payable of scheduled payments under the FG Hydro Loan and specifically exclude coverage of all payments under the FG Hydro Loan due upon prepayment.



- b. The FG Hydro Loan will have a tenor of 10 years with a 2-year grace period for principal repayments and the repayments of principal shall occur in equal semi-annual installments and payments of interest shall be made semi-annually.
2. The Financial Debt to EBITDA ratio was changed to not more than 6.5 effective September 30, 2009 and until the expiration of the Temporary Waiver Period; and the definition Spread under the Loan Agreement was changed to three point thirty-five percent (3.35%) per annum.
3. A waiver processing fee of twenty thousand Dollars (\$20,000), payable no later than November 9, 2009. Failure to pay the waiver processing fee for a period of thirty (30) days after the date on which IFC notified the Borrower of such failure, shall constitute an event of default under the Loan Agreement.

13. Energy Conversion Agreement

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

Obligation to a power plant contractor represents the present value of the unpaid cost of power plants constructed under the build-operate-transfer (BOT) agreements. Its carrying amount at the inception of the contract is based on the present value of the estimated total capital cost recovery (CCR) payments (net of taxes) to related contractors during the cooperation period. It is amortized based on the amount of monthly CCR fees after considering interest expense. The Parent Company's obligation to a power plant contractor has already been fully paid at the end of the BOT contract.

Prior to the turnover of the said power plants, the Parent Company already accounted for the Mindanao I and II power plants in accordance with IFRIC 12, "Service Concession Arrangements," since it will eventually turn over the said power plants to the Government at the end of the concession period, and as such, the transfer of the power plants did not have any financial statement impact to the Parent Company. However, the turnover of inventories not required to be transferred by Marubeni under the BOT contract was recognized by the Parent Company as miscellaneous income at its fair value amounting to ₱54.0 million (see Note 20). The Parent Company also received \$0.8 million representing settlement of the outstanding claims of the Parent Company, which was recognized as miscellaneous income.

14. Equity

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

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



On October 12, 2009, the SEC approved the increase in the Parent Company's authorized capital stock from ₱15.075 billion to ₱30.15 billion divided into 30 billion common shares with a par value of ₱1.00 per share and 15.0 billion preferred shares with a par value of ₱0.01 per share by way of a common stock dividend (totaling 3.75 billion common shares with any fractional shares being subscribed by the EDC Retirement Fund and/or Trust for the EDC Executive/Employee Stock Ownership Plan) and the subscription by the current preferred stockholders to 1.875 billion preferred shares, representing 25% of the increase in the preferred shares at par value.

The stock dividends to be issued from the increase will be distributed to stockholders as of the record date of October 27, 2009 and the payment date will be on November 23, 2009.

As of September 30, 2009, there are 653 stockholders of EDC.

15. Purchased Services and Utilities

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Professional and technical services	₱735,823,895	₱508,510,884
Purchased services	209,308,981	137,593,933
BOT fees	183,224,477	285,341,725
Hauling and handling costs	126,061,129	62,858,598
Contractual personnel costs	59,603,910	45,750,207
Rig mobilization charges	33,771,538	49,873,515
Purchased utilities	20,553,707	40,434,833
Others	7,071,024	10,337,241
	₱1,375,418,661	₱1,140,700,936

In 2009, the Parent Company implemented a steam augmentation project in LGPF with total projected costs of ₱3.1 billion. The steam augmentation project involves construction of surface infrastructure, installation of pipelines, drilling of new wells and work-over drilling of existing wells. The project commenced in the second half of 2008 and will be undertaken until 2010 to maintain and improve the existing capability of LGPF.

16. Operations and Maintenance Expenses

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Repairs and maintenance	₱1,662,391,440	₱1,148,038,779
Personnel costs	1,161,046,861	1,076,374,665
Materials and supplies issued	851,759,737	738,659,472
Rental, insurance and taxes	636,407,722	152,163,426
Royalty fees	139,785,422	463,458,748
Business and related expenses	13,934,490	120,893,230
	₱4,465,325,672	₱3,699,588,320



The increase in repairs and maintenance was attributed to the steam augmentation program implemented during the year. In addition, the Parent Company replaced the turbine rotor blade of the turbine it uses in its Mahanagdong power plants in LGPF amounting to ₱297.0 million.

The increase in rental, insurance and taxes emanated mainly from the settlement of real property tax due on Leyte's power plants (₱275.0 million) while the decrease in royalty fees was attributable to the fiscal incentives of the RE Law.

17. General and Administrative Expenses

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Personnel costs	₱672,325,680	₱676,990,512
Rental, insurance and taxes	632,973,007	364,942,529
Purchased services and utilities	608,265,432	412,612,833
Business and related expenses	271,110,526	137,340,943
Materials and supplies issued	126,112,095	102,945,563
Write-down of inventories for disposal	119,753,786	–
Provision for doubtful accounts	96,773,207	8,009,007
Repairs and maintenance	76,220,621	35,527,367
Credit adjustment on allowance for doubtful accounts (see Note 21)	–	(1,116,185,993)
	₱2,603,534,354	₱622,182,761

The increase in purchased services and utilities mainly came from the professional fees paid for legal services relative to the real property assessments to the Parent Company and for the consultancy fees (financial, business development and other services) paid to First Gen as discussed in Note 25 to the unaudited interim condensed consolidated financial statements. Write-down of inventories for disposal are for inventories identified as obsolete and for disposal while the credit adjustment on allowance for doubtful accounts pertained to the one-time adjustment in 2008 for recovery of the fully-provided receivables from NPC brought about by the arbitral award to the Parent Company as discussed in Note 21 to the unaudited interim condensed consolidated financial statements.

18. Foreign Exchange Gains (Losses)

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Foreign exchange gains (losses) on long-term loans	₱212,170,663	(₱5,386,115,736)
Foreign exchange losses on other accounts	(15,079,088)	(147,782,792)
	₱197,091,575	(₱5,533,898,528)



This account mainly pertains to foreign exchange gains adjustments realized on repayment of loans and restatement of outstanding balances of foreign currency-denominated loans, short-term placements and cash in banks. Following are the exchange rates used to restate outstanding balances at yearend:

Currency	Equivalent to US\$1.00		
	September 30, 2009	December 31, 2008	September 30 2008
Japanese Yen	90.106	90.942	104.188
Philippine Peso	47.390	47.520	47.050

19. Interest Income

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Interest on placements	₱244,118,525	₱177,485,005
Accretion of "day 1" loss on NPC receivable	57,877,183	72,128,091
Interest on savings/current accounts	796,713	747,134
Interest on overdue accounts/others	2,340,056	190,369
	₱305,132,477	₱250,550,599

20. Miscellaneous Income (Charges)

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Input VAT write-off	(₱178,639,119)	₱-
"Day 1" gain on royalty fee payable (see Note 11)	168,284,986	-
Write-down of exploration and evaluation assets	(77,622,605)	-
Receipt of inventories from power plant contractor (see Note 13)	53,992,600	260,614,700
Loss on sale of non current assets held for sale (see Note 7)	(35,537,500)	-
Waste disposal fees	11,593,444	11,478,189
"Day 1" loss on NPC receivable (see Note 21)	-	(189,790,628)
Gain on sale of AFS investments	-	46,323,392
Others	29,695,774	95,369,898
	(₱28,232,420)	₱223,995,551

21. Revenue from Arbitration Award

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



In the execution of the arbitral decision, both the Parent Company and NPC agreed that the amount of ₱2,894.9 million shall be paid by NPC to the Parent Company, without further interest, in accordance with the following schedule:

Tranche	Settlement Amount	Payment Term	Actual Date of Settlement
First	₱500.00 million	30 days from submission of JMU to the Office of the Voluntary Arbitrator	July 15, 2008
Second	500.00 million	60 days from submission of JMU to the Office of the Voluntary Arbitrator	July 15, 2008
Third	1,000.00 million	January 2009	February 2, 2009
Fourth	894.93 million	January 2010	Not applicable

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

As a result of the foregoing transaction in 2008, the Parent Company recognized an income of ₱2,894.9 million recorded as revenue from arbitration award of ₱2,067.3 million and a reversal of allowance for doubtful accounts of ₱827.6 million previously recorded related to the portion collected as part of the settlement. In addition, allowance for doubtful accounts of ₱288.6 million was reversed following the resolution of some of certain issues covered by the arbitration. The reduction of the allowance for doubtful accounts resulted in the recognition of the credit adjustment on allowance for doubtful accounts totaling ₱1,116.2 million classified under “General and administrative expenses” account (see Note 17).

As of the award date, the difference between the nominal value and fair value of ₱189.79 million was recognized as a “Day 1” loss and presented under the “Miscellaneous-net” account in the September 30, 2008 unaudited interim condensed consolidated statement of income.

22. Earnings Per Share (EPS)

The EPS amounts were computed as follows:

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
(a) Net income attributable to equity shareholders of the parent	₱1,272,818,017	₱2,594,267,160
Less dividends on preferred shares	6,000,000	6,000,000
(b) Net income attributable to common shareholders of the parent	₱1,266,818,017	₱2,588,267,160
(c) Weighted average numbers of shares for EPS	18,657,000,000	18,735,602,887
Basic/Diluted EPS (b/c)	₱0.068	₱0.138

The Company does not have dilutive common stock equivalents.

The 2008 and 2009 EPS were adjusted for the effect of the 3.75 billion shares (25%) stock dividend.



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, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Deferred tax assets - net	₱1,121,396,467	₱3,410,392,338	₱2,989,707,475
Deferred tax liabilities - net	(11,889,778)	(11,294,373)	(13,446,991)
	₱1,109,506,689	₱3,399,097,965	₱2,976,260,484

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

Deferred Tax Assets

	Foreign Exchange Losses (Gains) BOT Power Plants	Unrealized Foreign Exchange Losses (Gains)	Allowance for Doubtful Accounts	IFRIC 12 Adjustments	Others	Total
At January 1, 2009	₱4,003,828,394	₱2,551,134,895	₱588,823,244	₱13,722,968,794	₱546,505,975	₱21,413,261,302
Effect of Renewable Energy Law (Note 24)	(2,651,696,048)	(1,687,654,297)	(394,591,773)	(10,355,359,669)	(346,831,851)	(15,436,133,638)
Charge to income for the period	(96,375,847)	(269,480,116)	11,828,423	(30,930,162)	(21,681,259)	(406,638,961)
At September 30, 2009	₱1,255,756,499	₱594,000,482	₱206,059,894	₱3,336,678,963	₱177,992,865	₱5,570,488,703

	Foreign Exchange Losses (Gains) BOT Power Plants	Unrealized Foreign Exchange Losses (Gains)	Allowance For Doubtful Accounts	IFRIC 12 Adjustments	Others	Total
At January 1, 2008	₱4,346,549,575	₱215,335,039	₱1,149,431,133	₱16,478,104,383	₱603,048,126	₱22,792,468,256
Charged to income for the year	(342,721,181)	2,335,799,856	(560,607,889)	(2,755,135,589)	(56,542,151)	(1,379,206,954)
At December 31, 2008	₱4,003,828,394	₱2,551,134,895	₱588,823,244	₱13,722,968,794	₱546,505,975	₱21,413,261,302

	Foreign Exchange Losses (Gains) - BOT Power Plants	Unrealized Foreign Exchange Losses (Gains)	Allowance for Doubtful Accounts	IFRIC 12 Adjustments	Others	Total
At January 1, 2008	₱4,346,549,575	₱215,335,039	₱1,149,431,133	₱16,478,104,383	₱603,048,126	₱22,792,468,256
Charge to income for the period	(264,634,118)	1,634,271,490	(461,774,319)	(238,890,187)	(505,622,361)	163,350,505
At September 30, 2008	₱4,081,915,457	₱1,849,606,529	₱ 687,656,814	₱16,239,214,196	₱97,425,765	₱22,955,818,761

Deferred Tax Liabilities

	Deductible Expenses per PD 1442	IFRIC 12 Adjustments	Others	Total
At January 1, 2009	(₱3,681,358,648)	(₱13,225,388,187)	(₱1,107,416,502)	(₱18,014,163,337)
Effect of Renewable Energy Law (Note 24)	3,513,256,437	8,789,688,420	174,009,581	12,476,954,438
Charge to income for the period	168,102,211	149,803,708	758,320,966	1,076,226,885
At September 30, 2009	₱-	(₱4,285,896,059)	(₱175,085,955)	(₱4,460,982,014)



	Deductible Expenses per PD 1442	IFRIC 12 Adjustments	Others	Total
At January 1, 2008	(₱3,659,182,751)	(₱16,041,768,501)	(₱77,998,241)	(₱19,778,949,493)
Charged to retained earnings	-	-	(449,433,875)	(449,433,875)
Charged to income for the year	(22,175,897)	2,816,380,314	(579,984,386)	2,214,220,031
At December 31, 2008	(₱3,681,358,648)	(₱13,225,388,187)	(₱1,107,416,502)	(₱18,014,163,337)

	Deductible Expenses per PD 1442	IFRIC 12 Adjustments	Others	Total
At January 1, 2008	(₱3,659,182,751)	(₱16,041,768,501)	(₱77,998,241)	(₱19,778,949,493)
Charged to retained earnings	-	-	(449,433,875)	(449,433,875)
Charge to income for the period	299,332,329	392,614,337	(443,121,575)	248,825,091
At September 30, 2008	(₱3,359,850,422)	(₱15,649,154,164)	(₱970,553,691)	(₱19,979,558,277)

	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets
At January 1, 2009	₱21,413,261,302	(₱18,014,163,337)	₱3,399,097,965
Effect of Renewable Energy Law (Note 24)	(15,436,133,638)	12,476,954,438	(2,959,179,200)
Charge to income for the period	(406,638,961)	1,076,226,885	669,587,924
At September 30, 2009	₱5,570,488,703	(₱4,460,982,014)	₱1,109,506,689

	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets
At January 1, 2008	₱22,792,468,256	(₱19,778,949,493)	₱3,013,518,763
Charged to retained earnings	-	(449,433,875)	(449,433,875)
Charged to income for the year	(1,379,206,954)	2,214,220,031	835,013,077
At December 31, 2008	₱21,413,261,302	(₱18,014,163,337)	₱3,399,097,965

	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets
At January 1, 2008	₱22,792,468,256	(₱19,778,949,493)	₱3,013,518,763
Charged to retained earnings	-	(449,433,875)	(449,433,875)
Charge to income for the period	163,350,505	248,825,091	412,175,596
At September 30, 2008	₱22,955,818,761	(₱19,979,558,277)	₱2,976,260,484

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

	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Accounting income	₱4,744,777,398	₱3,791,868,318
Income tax at statutory tax rates	533,205,392	1,327,153,727
Effect of change in tax rate (see Note 24)	2,959,179,200	(66,744,979)
Deferred tax liability (30%) on third and fourth tranches arbitration income	(311,373,702)	-
Income tax on sale of FB land and building (zonal value minus selling price)	255,226,500	-
Income tax holiday (ITH) incentives	(89,337,427)	(160,350,434)

(Forward)



	September 30, 2009 (Unaudited)	September 30, 2008 (Unaudited)
Interest income subjected to final tax- net of final tax	(₱73,552,060)	(₱62,413,953)
Non-deductible expenses	44,868,774	3,651,803
Tax effect of non-deductible interest expense	29,043,387	29,823,833
Non-deductible foreign contractor's tax - excess	4,416,423	-
Change in unrecognized net deferred tax assets	3,071,443	117,611,203
Non-deductible foreign exchange loss (gain) on long-term investments in bonds	532,062	(26,439,097)
Others	595,405	(23,585,668)
Provision for income tax	₱3,355,875,397	₱1,138,706,435

24. Renewable Energy Law of 2008

On January 30, 2009, Republic Act (RA) No. 9513 (Act), “An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes,” also known as the “Renewable Energy Act of 2008”, became effective. In May 2009, the rules and regulations implementing the said Act were also promulgated. The Act aims to accelerate the exploration and development of RE resources, increase the utilization of renewable energy resources, increase the utilization of renewable energy, encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions, and establish the necessary infrastructure and mechanism to carry out mandates specified in the Act.

The Act also provides various incentives to RE developers and local manufacturers of RE equipment. These incentives include Income Tax Holiday (ITH) for the first seven years of its commercial operations, duty free importation of RE machinery, equipment and materials, special realty tax rates on equipment and machinery, Net Operating Loss Carry Over (NOLCO) during the first 3 years from the start of commercial operation, 10% corporate income tax after 7 years of ITH, accelerated depreciation, zero percent VAT tax rate, cash incentive for missionary electrification, tax exemption of carbon credits and tax credit on domestic capital equipment and services.

On August 28, 2009, the Parent Company submitted its letter of intent with the Department of Energy (DOE) to convert the Leyte (GSC No. 01), Palinpinon (GSC No. 02), Bacon-Manito (GSC No. 03), Mt. Apo (GSC No. 04) and Northern Negros (GSC No. 06) geothermal service contracts to RE contracts and paid the corresponding processing fees. On September 10, 2009, the DOE issued to the Parent Company the provisional certificates of registration covering the cited GSCs subject to the following terms and conditions:

- a. Duration - The provisional certificates of registration shall subsist until such time that the DOE Certificate of Registration is issued.



- b. Submission of documentary requirements – The Parent Company shall complete the submission of necessary documents in form and substance for the conversion of GSC Nos. 01, 02, 03, 04 and 06 within thirty (30) days from payment of the processing fee.
- c. Period and result of negotiation – The period of evaluation and negotiation for the full conversion of GSC Nos. 01, 02, 03, 04 and 06 shall not exceed 120 days from the date of payment of processing fee. In the event that the negotiation fails, the provisional certificate of registration shall be revoked and the operations of GSC Nos. 01, 02, 03, 04 and 06 shall automatically revert to the provisions of PD 1442 or the Geothermal Resources Exploration and Development Act of 1978.
- d. DOE Certificate of registration – The certificates of registration shall be issued upon full conversion of GSC Nos. 01, 02, 03, 04 and 06 to an RE Contract.

With the receipt of the provisional certificates of registration as geothermal energy RE Developer, the Parent Company wrote down ₱2,959.2 million worth of deferred tax assets net in view of the change in corporate tax rate from 30% to 10%, one of the fiscal incentives of the RE Law.

Moreover, the decrease in provision for income tax - current and income tax payable was also due to the 10% corporate tax rate implemented by the Parent Company retroactive to the effective date of the RE Law.

The Company is still currently negotiating the terms of the RE operating contracts for geothermal energy with the DOE.

25. Related Party Transactions

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

The following are the transactions that the Company had with related parties for the periods ended September 30, 2009 and 2008.

- a. First Balfour, Inc. (First Balfour)

Following the usual bidding process in 2008, the Parent Company awarded to First Balfour a procurement contract amounting to ₱360.0 million for various civil, structural, mechanical and piping works for the LGPF. The Company paid ₱54.0 million in 2008 as 15% advance payment for the steam augmentation project in Leyte which will be recouped from the progress billings.

As of September 30, 2009, the outstanding advance payment of ₱5.2 million was reclassified from “Other current assets” account to “Due from related parties” account while the 10% retention of progress billings was recorded under “Trade and other payables” account with an outstanding balance of ₱31.8 million.

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. Total consultancy services paid by the Parent Company to First Gen as of September 30, 2009 amounted to ₱120.1 million.

In 2009, FG Hydro availed of unsecured, interest-bearing and US dollar-denominated cash advances from First Gen. Said advances are due and demandable and bear interest of 5.29%. The outstanding balance as of September 30, 2009 included in the “Due to related parties” account amounted to ₱170.2 million (\$3.6 million).

c. IFC

The Parent Company entered into a loan agreement with the IFC, a shareholder of the Company, on November 27, 2008 for \$100.0 million or its peso equivalent of ₱4.1 billion. IFC has approximately 5% ownership interest in the Company. On January 7, 2009, the Parent Company opted to draw the loan in peso and received the proceeds amounting to ₱4,048.75 million, net of ₱51.25 million front-end fee.

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 ten years. Under the loan agreement, the Company is restricted from creating liens and is subject to certain financial covenants.

d. Various Related Parties

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

Following are the amounts of transactions for the periods ended September 30, 2009 and 2008 and outstanding balances as of September 30, 2009 and 2008 and December 31, 2008:

Related Party	Nature of Transaction	Transaction for the nine-month period ended September 30		Net Amount Due from (to) Related Parties		
		2009	2008	September 30, 2009	December 31, 2008	September 30, 2008
First Gen	Interest-free advances	₱2,553,186	₱9,142,481	₱86,472	₱-	₱-
First Balfour, Inc.	Steam augmentation contract in Leyte	309,264,417	-	5,227,538	-	-
				₱5,314,010	₱-	₱-
First Gen	Consultancy fee	₱74,205,882	₱11,463,530	₱-	(₱45,854,118)	(₱11,463,530)
	Acquisition of FG Hydro	-	-	-	-	(4,114,597,818)
	Interest-bearing advances	106,751,502	219,414	(170,227,352)	(63,475,096)	(2,924,180)

(Forward)



Related Party	Nature of Transaction	Transaction for the nine-month period ended		Net Amount Due from (to) Related Parties		
		September 30, 2009	September 30, 2008	September 30, 2009	December 31, 2008	September 30, 2008
	Directors liability insurance	₱-	₱1,358,947	₱-	(₱1,358,947)	₱-
Buang Private Power Corporation	Interest-free advances	39,011	44,021	(189,297)	(150,286)	(44,021)
First Gas Holdings Corporation	Interest-free advances	370,350	329,438	(452,650)	(82,300)	(329,438)
First Gas Power Corporation	Interest-free advances	41,979	497,397	(41,979)	-	(536,205)
FGP Corporation	Interest-free advances	-	8,823	-	-	(15,832)
				(₱170,911,278)	(₱110,920,747)	(₱4,129,911,024)

Buang Private Power Corporation is a subsidiary of First Private Power Corporation, an associate of First Gen. First Gas Holdings Corporation, First Gas Power Corporation and FGP Corporation are wholly owned subsidiaries of First Gen.

There were no guarantees provided or received for any related party. The Company has not recognized any impairment loss on receivables from related parties as of September 30, 2009 and 2008 and December 31, 2008.

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

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

27. 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 ₱2,959.2 million write-down of net deferred tax assets loan repayment of Miyazawa I amounting to ₱6,270.4 million, loan availment from IFC and issuance of fixed rate corporate notes (FRCN), and the ₱1,127.7 million proceeds from sale of the Company's land, buildings and improvements in Fort Bonifacio to PNOC as discussed in Notes 24, 29 and 7 to the unaudited interim condensed consolidated financial statements, respectively, there are no other assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

28. 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

Except for the change in rate from 30% to 10% in computing the deferred taxes relative to the effect of the RE Law as discussed in Notes 23 and 24 to the unaudited interim condensed consolidated financial statements, there are no significant changes in estimates of amounts during the current period as well as in the comparative period in 2008.



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

In January 2009, the Parent Company received ₱4,100.0 million proceeds from the International Finance Corporation (IFC) loan paying an annual interest rate of 7.4%.

On June 1, 2009, Miyazawa I loan amounting to ₱6,270.4 million was fully settled.

As of June 30, 2009, the obligations to a power plant contractor have been fully settled. On June 18, 2009, all the BOT power plants have been turned over to EDC.

On July 3, 2009, the Parent Company received ₱7,500 million proceeds from the issuance of FRCN - split into two (2) tranches - ₱2,644 million, due after 5 years plus 1 day and ₱4,856, due after 7 years, paying a coupon of 8.3729% and 9.4042%, respectively. On September 3, 2009, the Parent Company received ₱1,500 million proceeds from the additional issuance of FRCN, a 5-year plus 1 day series paying a coupon of 8.4321%. The FRCN was signed with a consortium of local banks.

On July 8, 2009, the Parent Company has been able to negotiate with DOE the extension of the payment of royalty fee payable over five years as discussed in Note 11 to the unaudited interim condensed consolidated financial statements.

30. Dividends Paid

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

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

31. 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 incorporation of GCGI and EDC Drillco Corporation, there are no material changes in the composition of the registrant during the period.

32. 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.

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

There are no material contingencies and any other events or transactions during the period.



34. Share Buyback Program

On March 25, 2008, the BOD approved a share buyback program involving up to ₱4.0 billion worth of the Company's common shares, representing approximately four percent (4%) of the Company's market capitalization as of the date of the approval. The buyback program will be carried out within a two-year period commencing on March 26, 2008 and ending on March 25, 2010.

On January 23, 2009, the BOD approved an amendment to the Company's share buyback program, to include, not only the foregoing objective of acquiring shares to implement the proposed executive/employee stock ownership plan, but also for the purpose of enhancing shareholder value whenever the stock is trading at a price discount to its true valuation.

The share buyback program will be implemented through grants, options, purchases or other equivalent methods.

As of September 30, 2009 and December 31, 2008, the Company's treasury shares totaled 93,000,000 common shares for a total value of ₱404.2 million since no additional purchase or grant was made during the period.

35. Financial Risk Management Objectives and Policies

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

Risk Management Strategy

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

Financial Risk Management Policy

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

Credit Risk and Credit Concentration

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



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

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Loans and receivables:			
Cash and cash equivalents (excludes cash on hand)	₱11,810,959,548	₱953,088,221	₱4,043,521,701
Trade receivables - net	3,261,609,396	4,763,042,643	5,420,055,016
Non-trade receivables	59,112,261	237,513,288	270,303,775
Loans and notes receivables	62,566,369	60,350,973	63,071,724
Employee receivables	38,611,856	31,358,060	29,634,144
Advances to employees	31,024,431	26,724,217	29,374,428
Long-term receivables - net	-	819,861,389	774,770,613
Concession receivable	33,159,383,136	34,695,434,198	35,257,841,746
Due from related parties	5,314,010	-	-
Cash collateral on PCIR Bonds	-	3,519,226	3,066,807
Royalty fee chargeable to NPC	-	122,018,657	364,908,024
AFS investments:			
Debt investments	750,806,879	674,494,128	690,094,113
Equity investments	16,018,900	13,597,238	20,779,390
Financial assets at FVPL:			
Derivative assets	25,412,438	648,988,818	45,834,583
	₱49,220,819,224	₱43,049,991,056	₱47,013,256,064

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, 2009 and 2008 and December 31, 2008:

	September 30, 2009 (Unaudited)						Total
	Neither Past Due nor Impaired	Past Due but Not Impaired					
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Past Due and Impaired	
<i>(In Thousand Pesos)</i>							
Loans and receivables:							
Cash and cash equivalents	₱11,815,560	₱-	₱-	₱-	₱-	₱-	₱11,815,560
Trade receivables	3,261,609	-	-	-	-	12,686	3,274,295
Non-trade receivables	39,003	1,323	18,144	586	56	-	59,112
Loans and notes receivables	58,645	-	9	3,912	-	-	62,566
Employee receivables	38,520	42	50	-	-	-	38,612
Advances to employees	30,470	422	133	-	-	-	31,025
Long-term receivables	-	-	-	-	-	29,907	29,907
Concession receivable	33,159,383	-	-	-	-	-	33,159,383

(Forward)



September 30, 2009 (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			
Due from related parties	₱5,314	₱-	₱-	₱-	₱-	₱-	₱5,314
AFS investments:							
Debt investments	750,807	-	-	-	-	-	750,807
Equity investments (Note10)	16,019	-	-	-	-	-	16,019
Financial assets at FVPL:							
Derivative assets	25,412	-	-	-	-	-	25,412
Total	₱49,200,742	₱1,787	₱18,336	₱4,498	₱56	₱42,593	₱49,268,012

December 31, 2008 (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	₱957,088	₱-	₱-	₱-	₱-	₱-	₱957,088
Trade receivables	4,746,756	-	16,286	-	-	11,780	4,774,822
Non-trade receivables	227,208	4,974	5,274	-	57	-	237,513
Loans and notes receivables	51,814	221	7,474	551	291	-	60,351
Employee receivables	31,267	-	82	10	-	-	31,359
Advances to employees	14,925	5,550	5,860	389	-	-	26,724
Long-term receivables	819,861	-	-	-	-	66,304	886,165
Concession receivable	34,695,434	-	-	-	-	-	34,695,434
Cash collateral on PCIR Bonds	3,519	-	-	-	-	-	3,519
Royalty fee chargeable to NPC	122,019	-	-	-	-	-	122,019
AFS investments:							
Debt investments	674,494	-	-	-	-	-	674,494
Equity investments (Note 10)	13,597	-	-	-	-	-	13,597
Financial assets at FVPL:							
Derivative assets	648,989	-	-	-	-	-	648,989
Total	₱43,006,971	₱10,745	₱34,976	₱950	₱348	₱78,084	₱43,132,074

September 30, 2008 (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	₱4,047,510	₱-	₱-	₱-	₱-	₱-	₱4,047,510
Trade receivables	5,250,019	-	169,892	144	-	3,500	5,423,555
Non-trade receivables	186,687	929	29,741	52,947	-	-	270,304
Loans and notes receivables	63,072	-	-	-	-	-	63,072
Employee receivables	29,542	-	92	-	-	-	29,634
Advances to employees	29,374	-	-	-	-	-	29,374
Long-term receivables	-	-	-	774,771	-	66,975	841,745

(Forward)



September 30, 2008 (Unaudited)							
	Neither Past Due Nor Impaired	Past Due but Not Impaired				Past Due and Impaired	Total
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
<i>(In Thousand Pesos)</i>							
Concession receivable	₱35,257,842	₱-	₱-	₱-	₱-	₱-	₱35,257,842
Cash collateral on PCIR Bonds	3,067	-	-	-	-	-	3,067
Royalty fee chargeable to NPC	364,908	-	-	-	-	-	364,908
AFS investments:							
Debt investments	690,094	-	-	-	-	-	690,094
Equity investments (Note 10)	20,779	-	-	-	-	-	20,779
Financial assets at FVPL:							
Derivative assets	30,332	-	15,502	-	-	-	45,834
	₱45,973,226	₱929	₱215,227	₱827,862	₱-	₱70,475	₱47,087,718

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, 2009 and 2008 and December 31, 2008, 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, 2009 there is an assured collection on these accounts, thus no provision for doubtful accounts has been recognized thereof.

Foreign Currency Risk

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

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

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



The Company's foreign currency-denominated financial assets and liabilities (translated into Philippine peso) as of September 30, 2009 and 2008 and December 31, 2008, are as follows:

	September 30, 2009 (Unaudited)			September 30, 2008 (Unaudited)		
	Original Currency		Peso Equivalent ¹	Original Currency		Peso Equivalent ²
	Japanese Yen	US Dollar		Japanese Yen	US Dollar	
Financial Assets						
Loans and receivables:						
Cash equivalents	-	5,471,191	259,279,764	-	9,630,055	453,094,067
Cash on hand and in banks	-	2,161,880	102,451,492	385,119	293,387	13,977,767
Trade and other receivables	-	2,405,251	113,984,846	-	2,985,048	140,446,514
Cash collateral on PCIR						
Bonds	-	-	-	-	65,182	3,066,807
AFS investments -						
Government debt securities	-	15,843,150	750,806,879	-	14,733,962	693,232,904
Financial assets at FVPL						
Derivative assets	-	522,558	24,764,042	-	974,168	45,834,583
Total financial assets	-	26,404,030	1,251,287,023	385,119	28,681,802	1,349,652,642
Current Financial Liabilities						
Liabilities at amortized cost:						
Trade and other payables	533,729,982	9,549,180	733,242,500	513,261,431	4,544,997	445,624,546
Short-term payable	-	-	-	-	-	-
Current portion of interest-bearing financial liabilities	23,646,873,926	34,701,764	14,081,261,718	13,868,893,372	28,886,730	7,622,139,744
Due to related parties		3,592,094	170,229,348			
Current portion of obligations to a power plant contractor	-	-	-	-	3,626,529	170,628,173
Financial liabilities at FVPL -						
Derivative liabilities	-	-	-	-	-	-
Total current financial liabilities	24,180,603,908	47,843,038	14,984,733,566	14,382,154,803	37,058,256	8,238,392,463
Noncurrent Financial Liabilities						
Liabilities at amortized cost:						
Interest-bearing financial liabilities - net of current portion	12,030,927,326	87,456,562	10,472,065,729	35,881,348,972	121,455,585	21,918,054,475
Total noncurrent financial liabilities	12,030,927,326	87,456,562	10,472,065,729	35,881,348,972	121,455,585	21,918,054,475
Total financial liabilities	36,211,531,234	135,299,600	25,456,799,295	50,263,503,775	158,513,841	30,156,446,938

¹US\$1=JPY90.106 and US\$1= P47.390 ²US\$1=JPY104.188 and US\$1= P47.050

December 31, 2008 (Audited)

	Original Currency		Peso Equivalent ¹
	Japanese Yen	US Dollar	
Financial Assets			
Loans and receivables:			
Cash equivalents	-	16,769,052	796,865,372
Cash on hand and in banks	386,027	262,524	12,857,892
Trade and other receivables	-	2,442,801	116,081,918
Cash collateral on PCIR Bonds	-	74,058	3,519,226
AFS investments - government debt securities	-	14,193,900	674,494,128
Financial assets at FVPL - derivative assets	-	13,657,172	648,988,818
Total financial assets	386,027	47,399,507	2,252,807,354
Current Financial Liabilities			
Liabilities at amortized cost:			
Trade and other payables	390,442,807	15,881,766	919,566,162
Current portion of interest-bearing financial liabilities	13,856,808,675	30,131,115	8,672,427,695

(Forward)



	Original Currency		Peso Equivalent ¹
	Japanese Yen	US Dollar	
Current portion of obligations to a power plant contractor	–	2,360,847	112,187,446
Financial liabilities at FVPL -			
Derivative liabilities	–	1,110,992	54,250,018
Total current financial liabilities	14,247,251,482	49,484,720	9,758,431,321
Noncurrent Financial Liabilities			
Liabilities at amortized cost:			
Interest-bearing financial liabilities - net of current portion	35,123,058,752	109,515,541	23,557,027,591
Obligations to a power plant contractor - net of current portion	–	–	–
Total noncurrent financial liabilities	35,123,058,752	109,515,541	23,557,027,591
Total financial liabilities	49,370,310,234	159,000,261	33,315,458,912

¹US\$1=JPY90.942 and US\$1= P47.520

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar and Japanese yen exchange rates, with all other variables held constant, of the Company's profit before income tax as at September 30, 2009 and 2008 (arising from revaluation of monetary assets and liabilities and fair valuation of derivative instruments).

September 30, 2009 (Unaudited)		
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax
US\$	10% or PHP4.739 (10% or PHP4.739)	(P500,098,332) 468,977,253
JPY	10% or PHP0.05844 (10% or PHP0.04781)	(P2,116,105,803) 1,731,359,293
EURO ^(a)	10% against US\$ (10% against US\$)	49,555,258 (18,434,179)
September 30, 2008 (Unaudited)		
	Foreign Currency Appreciates (Depreciates) By	Effect on Profit Before Tax
US\$	10% or PHP4.705 (10% or PHP4.705)	(P587,274,651) 525,521,107
JPY	10% or PHP0.05018 (10% or PHP0.04105)	(2,522,021,872) 2,063,472,440
EURO ^(a)	10% against US\$ (10% against US\$)	88,371,865 (26,618,321)

^(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 decrease as the result of the changes in the levels of equity indices and the value of the individual stocks.

As of September 30, 2009 and 2008 and December 31, 2008, the Company's exposure to equity price risk is minimal.



Interest Rate Risk

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

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

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

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax and equity as of September 30, 2009 and 2008. The effect also includes impact of change in interest rates on derivatives.

September 30, 2009 (Unaudited)			
	Increase/Decrease in Basis Points	Effect on Income Before Income Tax	Effect on Equity
PHP	+100	(₱45,888,889)	₱-
	-100	45,888,889	-
US\$	+100	(26,098,273)	(27,134,606)
	-100	26,183,593	29,829,761
JPY	+100	-	-
	-100	-	-
EURO	+100	(1,981,780)	-
	-100	4,084,042	-

September 30, 2008 (Unaudited)			
	Increase/Decrease in Basis Points	Effect on Income Before Income Tax	Effect on Equity
PHP	+100	₱-	₱-
	-100	-	-
US\$	+100	(31,655,257)	(27,996,104)
	-100	32,282,282	29,720,727
JPY	+100	(30,847,511)	-
	-100	30,847,511	-
EURO	+100	(4,752,245)	-
	-100	10,270,007	-



Interest Rate Risk Table

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

	Interest Rates	Within 1 Year	More than 1 Year but less than 4 Years	4-5 Years	More than 5 Years	Total
September 30, 2009						
Fixed Rate						
Long-term debt:						
OECF	3%-5.7%	₱71,272	₱40,351	₱11,747	₱27,820	₱151,190
JEXIM ^(a) 3747	3.5%	31,960	—	—	—	31,960
JBIC ^(b) 21 st yen	2.3% & 2.7%	123,894	226,543	197,505	583,877	1,131,819
Miyazawa II	2.37%	274,224	—	—	—	274,224
IFC	7.40%	307,614	616,071	551,177	1,218,657	2,693,519
Power Sector Assets and Liabilities Management Corporation (PSALM) Loan	12.00%	308,076	537,084	22,337	—	867,497
FCRN Series 1	8.37%	217,690	352,116	162,068	—	731,874
FCRN Series 2	9.4%	454,765	830,089	581,681	230,744	2,097,279
FCRN Series 3	8.43%	112,621	202,283	93,104	—	408,008
Short-term debt:						
BPI	7.00%	3,986	—	—	—	3,986
ING	7.00%	1,919	—	—	—	1,919
Mizuho	4.00%	262	—	—	—	262
September 30, 2009						
Floating Rate						
Long-term debt:						
IBRD	7.43%	209,088	34,315	—	—	243,403
Short-term debt:						
LBP	7.10%	37,078	—	—	—	37,078
December 31, 2008						
Fixed Rate						
Long-term debt:						
OECF	3%-5.7%	80,125,182	72,791,485	12,616,304	30,880,143	196,413,114
JEXIM ^(a) 3747	3.5%	39,312,925	31,753,377	—	—	71,066,302
JBIC ^(b) 21 st yen	2.3% & 2.7%	130,228,204	239,046,620	210,803,299	674,642,893	1,254,721,016
Miyazawa I	2.62% & 3.78%	98,019,103	—	—	—	98,019,103
Miyazawa II	2.37%	272,449,143	136,224,572	—	—	408,673,715
PSALM Loan	12.00%	791,404,919	1,582,809,837	1,582,809,838	—	3,957,024,594
December 31, 2008						
Floating Rate						
Long-term debt:						
IBRD	7.07%	243,635,506	158,627,319	—	—	402,262,825

(Forward)



	Interest Rates	Within 1 Year	More than 1 Year but less than 4 Years	4-5 Years	More than 5 Years	Total
September 30, 2008						
Fixed Rate						
Long-term debt:						
OECF	3%-5.7%	₱76,568	₱108,824	₱70,406	₱108,272	₱364,070
JEXIM ^(a) 3747	3.5%	34,130	27,567	–	–	61,697
JBIC ^(b) 21 st yen	2.3% & 2.7%	113,059	207,531	183,011	585,698	1,089,299
Miyazawa I	2.63% & 3.78%	170,008	–	–	–	170,008
Miyazawa II	2.37%	236,530	236,530	–	–	473,060
PCIR Bonds	6.50%	16,012	–	–	–	16,012
PSALM Loan	12.00%	358,415	733,162	105,934	22,177	1,219,688
September 30, 2008						
Floating Rate						
Long-term debt:						
IBRD	7.07%	261,734	211,432	–	–	473,166

(a) The Export - Import Bank of Japan

(b) Japan Bank for International Cooperation

Liquidity Risk

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

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

The tables below show the maturity profile of the Company's financial assets used for liquidity purposes based on contractual undiscounted cashflows as of September 30, 2009 and 2008 and December 31, 2008.

	September 30, 2009 (Unaudited)						
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousands)</i>							
AFS investments -							
Debt investments	₱750,807	₱–	₱–	₱–	₱–	₱–	₱750,807
Loans and receivables -							
Cash equivalents	–	10,008,742	–	–	–	–	10,008,742
	₱750,807	₱10,008,742	₱–	₱–	₱–	₱–	₱10,759,549



December 31, 2008 (Audited)							
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousands)</i>							
AFS Investments -							
Debt investments	₱674,494	₱-	₱-	₱-	₱-	₱-	₱674,494
Loans and receivables -							
Cash equivalents	-	929,213	-	-	-	-	929,213
	₱674,494	₱929,213	₱-	₱-	₱-	₱-	₱1,603,707

September 30, 2008 (Unaudited)							
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousands)</i>							
AFS investments -							
Debt investments	₱690,094	₱-	₱-	₱-	₱-	₱-	₱690,094
Loans and receivables -							
Cash equivalents	-	3,982,114	-	-	-	-	3,982,114
	₱690,094	₱3,982,114	₱-	₱-	₱-	₱-	₱4,672,208

The tables below summarize the maturity analysis of the Company's financial liabilities as of September 30, 2009 and 2008 and December 31, 2008 based on contractual undiscounted payments:

September 30, 2009 (Unaudited)							
	On Demand	Less than 3 Months	3 to 6 Months	> 6 to 12 Months	> 1 to 5 Years	More than 5 Years	Total
<i>(In Thousands)</i>							
Liabilities at amortized cost:							
Accounts payable - trade	₱-	₱1,448,639	₱-	₱-	₱-	₱-	₱1,448,639
Accrued interest and guarantee fees	-	776,294	125,372	-	-	-	901,666
Other current liabilities	-	7,918	-	-	-	-	7,918
Loan payable	-	2,035,042	-	-	-	-	2,035,042
Due to related parties	-	170,911	-	-	-	-	170,911
Royalty fee payable	-	-	143,851	-	673,344	-	817,195
Long-term debt	-	1,104,307	1,638,154	15,612,961	16,659,521	11,376,143	46,391,086
	₱-	₱5,543,111	₱1,907,377	₱15,612,961	₱17,332,865	₱11,376,143	₱51,772,457

December 31, 2008 (Audited)							
	On Demand	Less than 3 Months	3 to 6 Months	> 6 to 12 Months	> 1 to 5 Years	More than 5 Years	Total
<i>(In Thousands)</i>							
Liabilities at amortized cost:							
Accounts payable - trade	₱168,208	₱1,478,004	₱-	₱-	₱-	₱-	₱1,646,212
Accrued interest and guarantee fees	-	347,876	-	-	-	-	347,876
Accrued premium on range bonus forwards	-	-	175,116	-	-	-	175,116
Other current liabilities	-	8,649	-	-	-	-	8,649
Loan payable	-	34,500	33,750	2,066,750	-	-	2,135,000
Due to related parties	63,708	47,213	-	-	-	-	110,921
Royalty fee payable	-	1,688,282	-	-	-	-	1,688,282
Obligations to a power plant contractor	-	61,011	54,140	-	-	-	115,151
Long-term debt	-	532,144	7,315,727	2,245,116	21,761,378	4,025,796	35,880,161
Financial liability at FVPL - derivative liabilities	-	-	54,250	-	-	-	54,250
	₱231,916	₱4,197,679	₱7,632,983	₱4,311,866	₱21,761,378	₱4,025,796	₱42,161,618



September 30, 2008 (Unaudited)							
	On Demand	Less than 3 Months	3 to 6 Months	> 6 to 12 Months	> 1 to 5 Years	More than 5 Years	Total
<i>(In Thousands)</i>							
Liabilities at amortized cost:							
Accounts payable - trade	₱15,077	₱1,213,048	₱-	₱-	₱-	₱-	₱1,228,125
Accrued interest and guarantee fees	-	352,536	140,079	-	-	-	492,615
Accrued premium on range bonus forwards	-	-	-	114,117	-	-	114,117
Other current liabilities	-	8,234	-	-	-	-	8,234
Loan payable	-	84,411	-	-	-	-	84,411
Due to related parties	-	4,126,061	3,850	-	-	-	4,129,911
Royalty fee payable	-	-	1,714,004	-	-	-	1,714,004
Obligations to a power plant contractor	-	60,141	59,486	56,217	-	-	175,844
Long-term debt	-	982,253	869,804	6,861,678	17,333,811	7,434,598	33,482,144
	₱15,077	₱6,826,684	₱2,787,223	₱7,032,012	₱17,333,811	₱7,434,598	₱41,429,405

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, 2009	Level 1	Level 2	Level 3
Financial assets at FVPL - derivative assets	₱25,412,438	₱-	₱25,412,438	₱-
AFS investments:				
Debt investments	750,806,879	750,806,879	-	-
Equity investments	16,018,900	16,018,900	-	-

	December 31, 2008	Level 1	Level 2	Level 3
Financial asset and liability at FVPL :				
Derivative asset	₱648,988,818	₱-	₱648,988,818	₱-
Derivative liability	54,250,018	-	54,250,018	-
AFS investments:				
Debt investments	674,494,128	674,494,128	-	-
Equity investments	13,522,688	13,522,688	-	-

	September 30, 2008	Level 1	Level 2	Level 3
Financial assets at FVPL - Derivative asset	₱45,834,583	₱-	₱45,834,583	₱-
AFS investments:				
Debt investments	690,094,113	690,094,113	-	-
Equity investments	16,963,604	16,963,604	-	-



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

Financial Assets and Financial Liabilities

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

	September 30, 2009 (Unaudited)		September 30, 2008 (Unaudited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱11,815,559,588	₱11,815,559,588	₱4,047,509,523	₱4,047,509,523
Trade receivables	3,261,609,396	3,261,609,396	5,420,055,016	5,420,055,016
Non-trade receivables	59,112,261	59,112,261	270,303,775	270,303,775
Loans and notes receivables	62,566,369	62,566,369	63,071,724	63,071,724
Employee receivables	38,611,856	38,611,856	29,634,144	29,634,144
Advances to employees	31,024,431	31,024,431	29,374,428	29,374,428
Long-term receivables	–	–	774,770,613	815,829,656
Concession receivable	33,159,383,136	29,927,230,494	35,257,841,746	30,898,034,802
Cash collateral on PCIR Bonds	–	–	3,066,807	3,066,807
Royalty fee chargeable to NPC	–	–	364,908,024	364,908,024
Due from related parties	5,314,010	5,314,010	–	–
AFS investments:				
Debt investments	750,806,879	750,806,879	690,094,113	690,094,113
Equity investments	16,018,900	16,018,900	20,779,390	20,779,390
Financial assets at FVPL -				
Derivative assets	25,412,438	25,412,438	45,834,583	45,834,583
	₱49,225,419,264	₱45,993,266,622	₱47,017,243,886	₱42,698,495,985
Financial Liabilities				
Financial liabilities at amortized cost:				
Accounts payable - trade	₱1,448,639,055	₱1,448,639,055	₱1,228,125,548	₱1,228,125,548
Accrued interest and guarantee fees	901,665,988	901,665,988	492,615,614	492,615,614
Accrued premium on derivatives	–	–	114,116,917	114,116,917
Other current liabilities	7,917,914	7,917,914	8,233,713	8,233,713
Loan payable	2,000,000,000	2,000,000,000	84,000,000	84,000,000
Due to related parties	170,911,278	170,911,278	4,129,911,024	4,129,911,024
Royalty fee payable	817,194,809	854,523,090	1,714,003,653	1,714,003,653
Obligations to a power plant contractor	–	–	170,628,173	170,628,173
Long-term debt	37,474,589,819	40,547,409,954	29,340,111,786	31,349,738,976
Financial liabilities at FVPL -				
derivative liabilities	–	–	–	–
	₱42,820,918,863	₱45,931,067,279	₱37,281,746,428	₱39,291,373,618

	December 31, 2008 (Audited)	
	Carrying Amount	Fair Value
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	₱957,088,260	₱957,088,260
Trade receivables	4,763,042,643	4,763,042,643
Non-trade receivables	237,513,288	237,513,288
Loans and notes receivables	60,350,973	60,350,973

(Forward)



December 31, 2008 (Audited)		
	Carrying Amount	Fair Value
Employee receivables	₱31,358,060	₱31,358,060
Advances to employees	26,724,217	26,724,217
Long-term receivables	819,861,389	838,203,873
Concession receivable	34,695,434,198	30,995,036,175
Cash collateral on PCIR Bonds	3,519,226	3,519,226
Royalty fee chargeable to NPC	122,018,657	122,018,657
AFS investments:		
Debt investments	674,494,128	674,494,128
Equity investments	13,597,238	13,597,238
Financial assets at FVPL - derivative assets	648,988,818	648,988,818
	₱43,053,991,095	₱39,371,935,556
Financial Liabilities		
Financial liabilities at amortized cost:		
Accounts payable - trade	₱1,645,574,303	₱1,645,574,303
Accrued interest and guarantee fees	391,098,899	391,098,899
Accrued premium on range bonus forwards	175,116,194	175,116,194
Other current liabilities	8,649,387	8,649,387
Loan payable	2,000,000,000	2,000,000,000
Due to related parties	110,920,747	110,920,747
Royalty fee payable	1,688,282,467	1,688,282,467
Obligations to a power plant contractor	112,187,446	111,720,404
Long-term debt	32,229,455,285	34,255,439,515
Financial liabilities at FVPL - Derivative liabilities	54,250,018	54,250,018
	₱38,415,534,746	₱40,441,051,934

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

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

Trade and Other Receivables, Cash Collateral on PCIR Bonds, Royalty Fee Chargeable to NPC, Due from/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 rates ranging from of 4.40% and 5.29% and 6.84% as of the end of the third quarter of 2009 and 2008, respectively and 6.08% to 6.59% as of December 31, 2008.

Concession Receivable. The fair value of concession receivables is computed by discounting the expected free cash flows using the applicable rates as of consolidated statement of financial position dates ranging from 4.05% to 9.68% and 6.22% to 9.39% as of the end of the third quarter of 2009 and 2008, respectively and 5.26% to 15.03% as of December 31, 2008.

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



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

Long-term Debt and Royalty Fee Payable. The fair values for the Parent Company's long-term debt are estimated using the discounted cash flow methodology with the applicable rates ranging from 0.19% to 6.02% and 0.84% to 6.12% as of the end of the third quarter of 2009 and 2008, respectively, while for FG Hydro, the fair value of deferred payment facility with PSALM was computed by discounting the facility's expected future cash flows using the prevailing credit adjusted Philippine Government Zero Coupon Yield interest rates ranging from 4.12% to 6.21% and 6.35% 7.78% as of the end of the third quarter of 2009 and 2008, respectively and from 5.82% to 6.71% as of December 31, 2008.

Fair values of royalty fee payable are determined using discount rates ranging from 4.40% to 5.49 % and 3.94% to 6.22% as of the end of the third quarter of 2009 and 2008, respectively while fair value approximates the carrying value as of December 31, 2008.

Obligations to a Power Plant Contractor. Fair value of obligations to a power plant contractor approximates the carrying value in the third quarter of 2008.

The Company classifies its financial instruments in the following categories.

September 30, 2009 (Unaudited)						
	Loans and Receivables	AFS Investments	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousands)</i>						
Financial Assets						
Cash and cash equivalents	P11,815,560	P-	P-	P-	P-	P11,815,560
Trade receivables	3,261,609	-	-	-	-	3,261,609
Non-trade receivables	59,112	-	-	-	-	59,112
Loans and notes receivables	62,566	-	-	-	-	62,566
Employee receivables	38,612	-	-	-	-	38,612
Advances to employees	31,024	-	-	-	-	31,024
Long-term receivables	-	-	-	-	-	-
Concession receivable	33,159,383	-	-	-	-	33,159,383
Due from related parties	5,314	-	-	-	-	5,314
Debt investments	-	750,807	-	-	-	750,807
Equity investments	-	16,019	-	-	-	16,019
Derivative assets	-	-	25,412	-	-	25,412
Financial Liabilities						
Accounts payable - trade	-	-	-	1,448,639	-	1,448,639
Accrued interest and guarantee fees	-	-	-	901,666	-	901,666
Other current liabilities	-	-	-	7,918	-	7,918
Loan payable	-	-	-	2,000,000	-	2,000,000
Due to related parties	-	-	-	170,911	-	170,911
Royalty fee payable	-	-	-	817,195	-	817,195
Long-term debt	-	-	-	37,474,590	-	37,474,590
	P48,433,180	P766,826	P25,412	P42,820,919	P-	P92,046,337



December 31, 2008 (Audited)

	Loans and Receivables	AFS	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousands)</i>						
Financial Assets						
Cash and cash equivalents	₱957,088	₱-	₱-	₱-	₱-	₱957,088
Trade receivables	4,763,043	-	-	-	-	4,763,043
Non-trade receivables	237,513	-	-	-	-	237,513
Loans and notes receivables	60,351	-	-	-	-	60,351
Employee receivables	31,358	-	-	-	-	31,358
Advances to employees	26,724	-	-	-	-	26,724
Long-term receivables	819,861	-	-	-	-	819,861
Concession receivable	34,695,434	-	-	-	-	34,695,434
Cash collateral on PCIR Bonds	3,519	-	-	-	-	3,519
Royalty fee chargeable to NPC	122,019	-	-	-	-	122,019
AFS - debt investments	-	674,494	-	-	-	674,494
AFS - equity investments	-	13,597	-	-	-	13,597
Range bonus forwards	-	-	614,082	-	-	614,082
Currency options	-	-	34,907	-	-	34,907
Financial Liabilities						
Accounts payable - trade	-	-	-	1,645,574	-	1,645,574
Accrued interest and guarantee fees	-	-	-	390,840	-	390,840
Accrued premium on range bonus forwards	-	-	-	175,116	-	175,116
Other current liabilities	-	-	-	8,649	-	8,649
Loan payable	-	-	-	2,000,000	-	2,000,000
Due to related parties	-	-	-	110,921	-	110,921
Royalty fee payable	-	-	-	1,688,282	-	1,688,282
Obligations to a power plant contractor	-	-	-	112,187	-	112,187
Long-term debt	-	-	-	32,229,455	-	32,229,455
Derivative liabilities	-	-	-	-	54,250	54,250
	₱41,716,910	₱688,091	₱648,989	₱38,361,024	₱54,250	₱81,469,264

September 30, 2008 (Unaudited)

	Loans and Receivables	AFS	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousands)</i>						
Financial Assets						
Cash and cash equivalents	₱4,047,510	₱-	₱-	₱-	₱-	₱4,047,510
Trade receivables	5,420,055	-	-	-	-	5,420,055
Non-trade receivables	270,304	-	-	-	-	270,304
Loans and notes receivables	63,072	-	-	-	-	63,072
Employee receivables	29,634	-	-	-	-	29,634
Advances to employees	29,374	-	-	-	-	29,374
Long-term receivables	774,771	-	-	-	-	774,771
Concession receivable	35,257,842	-	-	-	-	35,257,842
Cash collateral on PCIR Bonds	3,067	-	-	-	-	3,067
Royalty fee chargeable to NPC	364,908	-	-	-	-	364,908
AFS - debt investments	-	690,094	-	-	-	690,094
AFS - equity investments	-	20,779	-	-	-	20,779
Derivative assets	-	-	45,835	-	-	45,835
Financial Liabilities						
Accounts payable - trade	-	-	-	1,228,126	-	1,228,126
Accrued interest and guarantee fees	-	-	-	492,616	-	492,616
Accrued premium on derivatives	-	-	-	114,117	-	114,117
Other current liabilities	-	-	-	8,234	-	8,234
Loan payable	-	-	-	84,000	-	84,000

(Forward)



September 30, 2008 (Unaudited)

	Loans and Receivables	AFS	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
Due to related parties	₱-	₱-	₱-	₱4,129,911	₱-	₱4,129,911
Royalty fee payable	-	-	-	1,714,004	-	1,714,004
Obligations to a power plant contractor	-	-	-	170,628	-	170,628
Long-term debt	-	-	-	29,340,112	-	29,340,112
	₱46,260,537	₱710,873	₱45,835	₱37,281,748	₱-	₱84,298,993

The table below demonstrates the income, expense, gains or losses of the Company's financial instruments for the nine-month periods ended September 30, 2009 and 2008.

	2009		2008	
	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	₱796,713	₱-	₱747,134	₱-
Interest income on cash equivalents	244,118,525	-	177,485,005	-
Interest income on trade receivables	57,877,183	-	72,128,091	-
Interest income on concession receivables	1,490,446,446	-	1,593,291,884	-
"Day 1" loss on NPC receivables	-	-	(189,790,628)	-
Equity investments:				
Impairment loss of AFS investments	(3,328,633)	3,328,633		
Net loss removed from equity		3,328,633		
Net gain (loss) recognized in equity	-	5,750,295	-	1,229,943
Debt investments:				
Gain on sale of AFS investments	-	-	46,323,392	-
Net gain removed from equity	-	-	-	(46,323,392)
Net gain (loss) recognized in equity	-	73,985,399	-	(261,357,021)
Financial assets at FVPL:				
Fair value changes and premium on forward contracts	(175,648,625)	-	(98,614,606)	-
Unrealized gain (loss) on fair value changes on currency options	(9,505,321)	-	29,506,451	-
Financial liabilities at amortized cost:				
Interest expense on long-term loans	(1,664,591,742)	-	(1,374,018,667)	-
Interest expense on short-term loans	(124,463,798)	-	(635,191)	-
Interest expense on royalty payable	(54,003,763)	-	(169,046,214)	-
"Day 1" gain on royalty payable	168,284,986	-	-	-
	(₱70,018,029)	₱83,064,327	₱87,376,651	(₱306,450,470)

Capital Management

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

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



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

Table below shows the Company's debt ratio as at September 30, 2009 and 2008 and December 31, 2008.

	September 30, 2009	December 31, 2008	September 30, 2008
Long-term liabilities	₱37,474,589,819	₱32,341,642,731	₱29,510,739,959
Equity	28,356,660,027	28,735,318,699	31,725,363,628
Debt ratio	56.9%	53.0%	48.2%

Derivative Financial Instruments

The Company's derivative financial instruments are accounted for as financial instruments at FVPL. The table below shows the fair value of derivative financial instruments reported as assets or liabilities as of September 30, 2009 and 2008 and December 31, 2008.

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)		September 30, 2008 (Unaudited)	
	Derivative Assets	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Embedded derivatives - currency options	₱25,412,438	₱34,907,195	₱-	₱30,332,273	₱-
Free standing derivatives					
Range bonus forwards	-	614,081,623	-	15,502,310	-
Currency forwards	-	-	54,250,018	-	-
Total derivatives	₱25,412,438	₱648,988,818	₱54,250,018	₱45,834,583	₱-
Presented as:					
Current	₱-	₱614,081,623	₱54,250,018	₱15,502,310	₱-
Noncurrent	₱25,412,438	34,907,195	-	30,332,273	-
Total derivatives	₱25,412,438	₱648,988,818	₱54,250,018	₱45,834,583	₱-

Freestanding Derivatives. The Company enters into derivative transactions to hedge the foreign currency exposure arising from its foreign currency denominated loan contracts, particularly the maturing Miyazawa 1 loan. The Company had positions in the following types of freestanding derivatives to protect itself against foreign currency risk arising from the changes on the exchange rate of the peso in relation to the foreign currency. As of September 30, 2009, the Company has no outstanding derivatives due to the termination of its related contracts with counterparty banks last May 28, 2009.

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



The Company had a total of 14 foreign currency forward contracts with various counterparty banks, five of these were only instituted during the same year 2009 and all of these had already matured last May 28, 2009. The Company's deliverable buy Dollar and sell Peso and buy yen and sell dollar forward exchange contracts had an aggregate notional amount of \$118 million and ¥4,000 million, respectively. The weighted average forward rates of these forward exchange contracts were ₱48.59 and ¥ 98.6 to US\$1. The net mark to market loss recognized in 2009 relative to the forward contracts was ₱10.6 million.

Range Bonus Forward Contract. A Range Bonus forward contract is an agreement that provides protection against unfavorable exchange rate movement by setting an agreed rate at which an entity can exchange one currency for another. At the same time, it provides that for each day during the fixing period that the spot rate is outside the predetermined range, the Company will accrue a premium based on a specified formula, which is payable at maturity.

The following table shows the relevant data with the corresponding realized gain pertaining to the two range bonus forward contracts entered into by the Company for the Miyazawa 1 loan due on June 1, 2009:

Notional Amount	JPY 5 Billion	JPY 3 Billion
Trade date	April 30, 2008	May 2, 2008
Expiry date	May 26, 2009	May 26, 2009
Delivery date	May 28, 2009	May 28, 2009
Agreed rate	110	110
Premium formula (where n = number of days when the spot rate is outside the predetermined range during the fixing period and N = fixing period)	US\$47,846,890 x 13.40% x n/N	US\$28,571,428.57 x 13.06% x n/N
Predetermined range	JPY96-JPY106	JPY97-JPY107
Fixing period (in days)	260	258
Net Realized mark to market loss and premium (from January 1, 2009 to May 28, 2009)	₱102,325,462	₱62,757,894

The premium paid by the Company on May 28, 2009 for the JPY5 billion and JPY3 billion range bonus forward amounted to ₱168.5 million and ₱93.4 million, respectively. As of September 30, 2008, the accrued premium for the JPY5.0 billion and JPY3.0 billion range bonus forward which were represented under the "Trade and other payables" in the unaudited interim condensed consolidated statement of financial position were ₱79.3 million and ₱34.9 million, respectively.

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



Currency Options. The Company 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. The embedded currency options have a notional amount of €10.6 million and €23.2 million as of September 30, 2009 and 2008, respectively. The fair value of the outstanding embedded currency option as of September 30, 2009 and 2008 amounted to \$0.54 million (₱25.4 million) and \$0.64 million (₱30.3 million). The embedded currency options will mature on various dates until December 2010 or upon full payment and completion of the related host contract.

Fair Value Changes of Derivatives

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

Freestanding Derivatives

	September 30, 2009 (Unaudited)		December 31, 2008 (Audited)		September 30, 2008 (Unaudited)
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability	Derivative Asset
<i>Range Bonus Forward</i>					
Balance at beginning of year	₱614,081,623	₱-	₱-	₱-	₱-
Net changes in fair value	(78,318,622)	-	614,081,623	-	15,502,310
Settlement	(535,763,001)	-	-	-	-
Balance at end of period	₱-	₱-	614,081,623	₱-	₱15,502,310
<i>Currency Forwards</i>					
Balance at beginning of year	₱-	(₱54,250,018)	₱-	₱-	₱-
Net changes in fair value	68,344,713	(78,909,982)	-	(54,250,018)	-
Settlement	(68,344,713)	133,160,000	-	-	-
Balance at end of period	₱-	₱-	₱-	(₱54,250,018)	₱-
	₱-	₱-	₱614,081,623	(₱54,250,018)	₱15,502,310

Embedded Derivatives

Derivative Assets	September 30, 2009	December 31, 2008	September 30, 2008
Balance at beginning of year	₱34,907,195	₱-	₱-
Net changes in fair value of derivatives	(9,505,321)	35,304,331	29,506,451
Fair value of settled derivatives	-	(5,547,240)	(5,547,241)
Foreign exchange difference	10,564	5,150,104	6,373,062
Balance at end of period	₱25,412,438	₱34,907,195	₱30,332,272

The net changes in fair value of the Company's derivative during the periods ending September 30, 2009 and 2008 amounting to ₱98.4 million loss and ₱45.0 million gain respectively, were taken into "Derivatives gain (loss)" account in the unaudited interim condensed consolidated statements of income, net of premium on range bonus forwards recognized during the periods ending September 30, 2009 and 2008 amounting to ₱86.8 million and ₱114.1 million respectively.



36. Wind Energy Service Contract

On September 14, 2009, the Parent Company entered into Wind Energy service contract with the DOE granting the Parent Company the right to explore and develop the Burgos wind project for a period of 25 years. The exploration period under the service contract shall be two years extendible for another one year if the Parent Company has not been in default in its exploration or work commitments and has provided a work program for the extension period upon confirmation by the DOE. The service contract provides that, among other privileges provided by the RE Law, all materials, equipment, plants and other installations erected or placed on the contract area shall remain the property of the Company throughout the term of the contract and after its termination. The contract also provides that upon submission of declaration of commerciality as confirmed by the DOE, the service contract shall remain in force for the balance of a period of 25 years from effective date for the development/commercial stage and the DOE shall approve the extension for another 25 years under the same terms and conditions provided the Company is not in default of any material obligations under the contract and has submitted a written notice to the DOE for the extension of the contract not later than one (1) year prior to the expiration of the 25-year period.

37. Events After the Financial Position Date

On October 2, 2009, the Parent Company rolled over for 88 days at 7.25% its ₱2.0 billion short-term loan with Land Bank of the Philippines.

