

SEC Number 66381
File Number _____

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

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

(632) 6677-332
(Telephone Number)

June 30, 2010
(Quarter Ending)

SEC FORM 17-Q
(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2010**
2. Commission identification number: **66381**
3. BIR Tax Identification No. **000-169-125-000**
4. Exact name of issuer as specified in its charter: ENERGY DEVELOPMENT (EDC)
CORPORATION
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
PNPC Complex, Merritt Road, Ft. Bonifacio, Taguig City **1201**
8. Issuer's telephone number, including area code: **(632) 6677-332**
9. Former name, former address and former fiscal year, if changed since last report: **Not Applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

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

Philippine Stock Exchange **Common Stock**

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

PART 1 FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Our unaudited consolidated financial statements for the quarter ended June 30, 2010 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) and are filed as Annex I of this report.

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

The following is a discussion and analysis of the Company's consolidated financial performance for the quarter ended June 30, 2010. The prime objective of this MD&A is to help the readers understand the dynamics of our Company's business and the key factors underlying our financial results. Hence, our MD&A is comprised of a discussion of our core business and an analysis of the results of operations. This section also focuses on key statistics from the unaudited financial statements and pertains to risks and uncertainties relating to the geothermal power industry in the Philippines where we operate up to the stated reporting period. However, our MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general economic, political and environment condition after the stated reporting date.

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

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

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

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

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OVERVIEW OF OUR BUSINESS

Principal Products or Services

As of June 30, 2010, the Company operates twelve geothermal steamfields in the five geothermal renewable energy service contract areas where it is principally involved in:

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

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

With its acquisition of a 60% equity stake in First Gen Hydro Power Corporation (FG Hydro) last November 17, 2008, EDC now finds itself already involved in the operation of hydro power plants. FG Hydro's 100 MW Pantabangan and 12 MW Masiway Hydroelectric Power Plants (PMHEPP), located in Pantabangan, Nueva Ecija Province, Central Luzon, inject electricity into the Luzon grid to service the consumption of its customers which include the Wholesale Electricity Spot Market (WESM) and distribution utilities clients covered by Transition Supply Contract (TSC).

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

The Company has included into its strategic plans the Company's participation in PSALM's auction of the NPC-owned geothermal power generation facilities. On September 2, 2009, GCGI Geothermal Inc. (GCGI), the Company's wholly-owned subsidiary through First Luzon Geothermal Energy Corporation (FL Geothermal), participated and won in PSALM's auction for the 192.5 MW Palinpinon and 112.5 MW Tongonan I geothermal power plants for USD 220.0 million. On October 23, 2009, GCGI successfully completed all conditions precedent required for the PSALM's turnover of the Palinpinon and Tongonan I geothermal power plants. With this, the Company now operates a total of 10 geothermal power plants with an aggregate capacity of 1,048.8 MW.

Percentage of sales or revenues contributed by foreign sales

The Company generated ₱394.2 million revenues from the contract it entered into with LGL in Papua, New Guinea. This represents 3.0% of the Company's gross revenues for the

second quarter of year 2010. The contract term with LGL was extended until December 31, 2010 with an option to extend for another period of 12 months.

Distribution method of products and services

The Company's total generation of 3,910.4 GWh comprised of 2,293.4 GWh coming from electricity production in Leyte, So. Negros, No. Negros and Mindanao areas; 488.7 GWh pertaining to steam operations in Sorsogon; 847.5 GWh electricity production of GCGI's Palinpinon and Tongonan I Geothermal Power Plants (PTGPP); and 280.9 GWh generated from hydro power plant operations in Pantabangan, Nueva Ecija.

The electricity generated, by either NPC or the Company's geothermal power plants, is transmitted to the customers i.e., distribution utilities, electric cooperatives or bulk power customers by the National Grid Corporation of the Philippines (NGCP) through its high voltage backbone system.

About 69.6% of the 3,910.4 GWh generated by the Company from its steam and electricity business was sold to NPC. The electricity generated by the power plants of FG Hydro, equivalent to 280.9 GWh, was sold to the WESM and to its distribution utility clients in the province of Nueva Ecija while the 909.1 GWh electricity production of GCGI's Palinpinon and Tongonan I Geothermal Power Plants (PTGPP) and EDC's No. Negros was sold to the industrial customers and electric cooperatives in the Visayas region.

From the 280.9 GWh of electricity generated by FG Hydro, 146.6 GWh or 52.2. % was sold to the Wholesale Electricity Spot Market (WESM) while the 134.3 GWh or 47.8% was sold to distribution utilities.

Competition

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

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

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

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

Dependence on one major customer

About 69.6% of the Company's revenues from its steam and electricity business are derived from existing long-term Steam Sales Agreement (SSA) and Power Purchase Agreements (PPAs) with NPC, respectively.

Concessions and government share payments

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

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

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

Geothermal Resource

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

Wind Resource

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

KEY PERFORMANCE INDICATORS

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

Ratio	June 30, 2010	June 30, 2009
Current Ratio	2.69 : 1	0.58 : 1
Debt-to-Equity Ratio	1.26 : 1	1.05 : 1
Net Debt-to-Equity Ratio	1.06 : 1	0.95 : 1
Return on Assets (%)	7.0	3.9
Return on Equity (%)	18.0	9.2

Current Ratio – Total current assets divided by total current liabilities

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

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

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

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

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

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

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

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

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

OPERATING REVENUES AND EXPENSES

FINANCIAL HIGHLIGHTS

- The recurring net income generated in the first semester of 2010 increased by 89.2% or ₱2,289.8 to ₱4,858 million from the ₱2,568.2 million posted during the same period in 2009. This was mainly due to the following:
 - Increase in revenues mainly from FG Hydro and GCGI's electricity sales (₱2,313.9 million);
 - Full impact of the Renewable Energy (RE) Law on government share and income tax (₱687.4 million); and
 - Net decrease in operating expenses for the maintenance of steamfield and power plant facilities (₱85.0 million).

These were partly offset by the following:

- Increase in financing charges (₱529.8 million); and
 - Lower other income charges (₱386.7 million).
- Net income increased by 113.7% or ₱3,051.8 million to ₱5,736.7 million as of June 2010 from ₱2,684.9 million during the same period in 2009.

Factors contributing to these were the following: increased revenues mainly from GCGI and FG Hydro's electricity sales (₱2,313.9 million), decrease in operating expenses (₱1,484.2 million), derivative gain in 2010 versus loss in 2009 (₱622.8 million), lower income tax (₱690.9 million) and lower other charges (₱120.2 million), partly offset by the unfavorable movements in foreign exchange rates (₱1,456.2 million) and increase in financing expenses-net (₱724.0 million).

Major drivers for the six-month period were mainly traceable to the following:

- Six-month operations of GCGI's power plants integrating EDC's steam fields operations in Palinpinon and Tongonan 1 versus steamfield operations of last year (₱1,101.2 million);
- Impact of RE law on income tax and government share on Parent Company's operations (₱1,020.1 million);
- First Gen Hydro's increase in net income (₱1,056.0 million);
- Scoping out from IFRIC 12 coverage (₱524.0 million); and
- Absence of the following transactions in 2010:
 - Tax payments for arbitration and deemed income for sale of FB land and arbitration income (₱307.1 million)
 - BOT fees (₱187.3 million)

For the period, NNGP ended with a net loss of the ₱571.0 million. The Company is engaging third party experts to perform parallel independent assessments of the Northern Negros steam resource development plan and long-term viability and

sustainability of the Northern Negros Geothermal Project's steam field. The studies are expected to be completed in the second half of 2010.

- Cash and cash equivalents decreased by 40.5% or **₱4,549.7** million to **₱6,671.2** million as of June 30, 2010 from the **₱11,220.9** million December 31, 2009 balance. The decreased was mainly accounted for by the **₱7,428.1** million net cash outflows from the financing activities, driven primarily by the settlements of the Miyazawa II and PNOC on-lent loans, partly offset by the proceeds of the US\$175M club loan secured in June 2010. This was coupled with **₱1,542.7** million cash used in investing activities, mainly for rehabilitation of newly acquired power plants and drilling of new wells. Partly offsetting the cash outflows from financing and investing activities was the **₱4,433.7** million internal cash generation for the first half of 2010.

Revenue from Sale of Electricity

Revenue from sale of electricity increased by 71.7% or ₱4,902.1 million to ₱11,741.4 million as of June 2010 from ₱6,839.3 million posted during the same period in 2009 on account of the following:

- Revenues generated by GCGI following acquisition of the Palinpinon 1 & 2 and Tongonan 1 geothermal power plants in September 2009 (₱3,032.9 million);
- Impact of the full recognition of revenue billings starting November 2009 due to the Company's scoping-out from IFRIC 12 (₱1,728.0 million); and
- FG Hydro's increased revenues due to the combined effect of higher average selling price and electricity volume (₱1,014.0 million);

These were partly offset by lower sales volume and average selling price (₱873.0 million).

Revenue from Sale of Steam

Revenue from sale of steam was lower by 55.9% or ₱1,122.3 million to ₱886.0 million in the first half of 2010 from ₱2,008.3 million during the same period in 2009. The ₱1,122.3 million decrease was attributed mainly to the shift in revenue recognition from steam to electricity sales of the Palinpinon and Tongonan 1 power plants following the acquisition of the power plant assets by GCGI on October 24, 2009.

Interest Income on Service Concession/Construction Revenue

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

Operating Expenses

Operating expenses declined by 22.6% or ₱1,484.2 million to ₱5,082.8 million as of June 2010 from ₱6,567.0 million level in the same period in 2009.

The decrease was attributed to the net impact of lower general and administrative expenses (₱1,245.7 million), operations and maintenance (₱1,006.3 million), purchased services and utilities (₱175.9 million) and absence of construction costs (₱387.1 million) offset by higher depreciation expenses (₱1,330.8 million) arising from the Company's scoping-out of IFRIC 12.

Operations and Maintenance

Operations and maintenance expenses decreased by 30.1% or ₱1,006.3 million to ₱2,338.2 million in the first half of 2010 from ₱3,344.5 million during the same period in 2009 mainly due to the scoping out of IFRIC 12, which accounted the ₱766.1 million capitalization in 2010 of previously expensed out PPE acquisitions in 2009 and the ₱151.9 million reduction of government share due to the implementation of the RE law.

General and Administrative

General and administrative expenses decreased by 78.9% or ₱1,245.7 million to ₱332.8 million in the first semester of 2010 from ₱1,578.5 million during the same period in 2009 mainly on account of the reversal of the allowance for doubtful accounts for the refund of 1998 and 1999 Input VAT claims.

Purchased Services and Utilities

Purchased services and utilities decreased by 18.8% or ₱175.9 million to ₱761.8 million as of June 2010 from ₱937.7 million during the same period in 2009 due mainly to the absence of BOT fees in 2010 with the turnover in June 2009 of the BOT power plants in Mindanao (₱187.3 million).

Depreciation and Amortization

The increase by 416.9% or ₱1,330.8 million to ₱1,650.0 million in the first half of 2010 from ₱319.2 million during the same period in 2009 was mainly attributed to the net additional depreciation of fixed assets that were re-classed from financial and intangible assets to property, plant and equipment account arising from scope out of IFRIC 12.

Construction Costs

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

Financial Income (Expenses)

Financial expenses-net increased by 86.6% or ₱724.0 million to ₱1,560.9 million in the first half of June 2010 from ₱836.9 million for the same period in 2009 due to the increase in outstanding borrowings and lower interest income.

Interest Income – net

Interest income (net of final tax) decreased by 39.3% or ₱145.0 million to ₱224.3 million as of June 2010 from ₱369.3 million during the same period in 2009.

The unfavorable variance was mainly accounted for by lower interest on placements owing to lower average interest rates.

Interest Expense

Interest expense by increased by 48.0% or ₱579.0 million to ₱1,785.2 million as of June 2010 from ₱1,206.2 million during the same period in 2009. The unfavorable variance was mainly on account of additional borrowings in the latter part 2009.

Other Income (Charges)

Other income–net decreased by 85.7% or ₱713.2 million to ₱119.1 million as of June 2010 from the ₱832.3 million during the same period in 2009. The variance was primarily attributed to the unfavorable movements of foreign exchange rates offset by derivative gains in loans settlement in 2010 as compared to the derivative loss in 2009.

Foreign Exchange Gain - net

The foreign exchange loss - net of ₱309.7 million recorded as of June 2010 was a reversal of foreign exchange gain – net of ₱1,146.5 million posted for the same period in 2009 mainly due to the appreciation of the Yen versus the US dollar this year.

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

	JPY:US\$	PHP:US\$
December 31, 2008	90.942	47.520
June 30, 2009	96.006	48.130
December 31, 2009	91.634	46.200
June 30, 2010	89.381	46.370

Derivatives Gain (Loss),net

The Derivative gain-net of ₱437.0 million posted as of June 2010 pertained mainly to Parent Company derivative gain on the foreign currency hedging instruments that were realized in the payment of Miyazawa II loan on June 24, 2010 (₱446.6 million). The derivative loss-net of ₱185.8 million as of June 2009 was accounted by the range-bonus forward contracts covering Miyazawa I (₱175.6 million).

Miscellaneous Income – net

Miscellaneous charges - net decreased by 93.6% or ₱120.2 million to ₱8.2 million in the first half of 2010 from ₱128.4 million during the same period in 2009 mainly due to absence of following transactions in 2010:

- Additional RPT on power plants in Leyte (₱137.1 million); and
- Write-off of non-productive wells in Mindanao (₱70.5 million).

The foregoing transactions were offset by the recognition of the appraised value of inventory and the compromised settlement made by the Mindanao BOT contractor (₱90.0 million).

Provision for (Benefit from) Income Tax

Current tax expense decreased by 81.9% or ₱1,176.3 million to ₱259.9 million as of June 2010 from ₱1,436.2 million during the same period in 2009. This was largely due to the change in corporate income tax rate from 30% to 10% with the Parent Company's registration as an RE developer (₱868.1 million) coupled with the absence of similar transactions in 2010 such as the payment of income tax on deemed income on sale of FB properties (₱564.6 million) and the arbitration (₱363.3 million). This was partly offset by higher taxable income in 2010 (₱619.5 million).

Deferred tax expense increased by 3,236% or ₱485.4 million to ₱500.4 million as of June 2010 from ₱15.0 million during the same period in 2009 mainly on account of the realized forex loss on the full payment of Miyazawa II and PNOC on-lent loans (₱514.5 million), reduced by higher income tax on account of higher deferred taxable income (₱ 57.1 million).

Net Income

Net income increased by 113.7% or ₱3,051.8 million to ₱5,736.7 million as of June 2010 from ₱2,684.9 million during the same period in 2009.

Factors contributing to these were the following: increased revenues mainly from GCGI and FG Hydro's electricity sales (₱2,313.9 million), decrease in operating expenses (₱1,484.2 million), derivative gain in 2010 versus loss in 2009 (₱622.8 million), lower income tax (₱690.9 million) and lower other charges (₱120.2 million), partly offset by the unfavorable movements in foreign exchange rates (₱1,456.2 million) and increase in financing expenses-net (₱724.0 million).

Net income is equivalent to 44.1% of total revenues in the first half of 2010 as compared to the 25.1% during the same period in 2009.

CAPITAL AND LIQUIDITY RESOURCES

As of the quarter ended (in millions of pesos)	Q2 2010	Q2 2009	YoY change
Balance Sheet Data			
Total Assets	82,394.6	66,820.3	23.3%
Total Liabilities.....	48,811.2	37,213.7	31.2%
Total Stockholders' Equity	33,583.4	29,606.6	13.4%

The Company's assets as of June 30, 2010 amounted to ₱82,394.6 million, 23.3% higher as compared to the ₱66,820.3 million level as of June 30, 2009.

FINANCIAL POSITION

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

BALANCE SHEET						
Horizontal of Material Changes as of June 30, 2010 and December 31, 2009						
(Amounts In PHP millions)	June 2010	Dec. 2009 Audited	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Increase (Decrease)		2-Jul	1-Jul
			Amount	%		
ASSETS						
Current Assets						
Cash and cash equivalents	6,671.2	11,220.9	(4,549.7)	-40.5%	8.1%	13.2%
Trade and other receivables	5,640.6	5,487.2	153.4	2.8%	6.8%	6.5%
Available-for-sale (AFS) investments	748.0	734.8	13.2	1.8%	0.9%	0.9%
Parts and supplies inventories	1,734.1	1,553.8	180.3	11.6%	2.1%	1.8%
Other current assets	1,002.8	141.0	861.8	611.2%	1.2%	0.2%
Total Current Assets	15,796.7	19,137.7	(3,341.0)	-17.5%	19.2%	22.6%
Noncurrent Assets						
Property, plant and equipment	59,926.4	59,877.2	49.2	0.1%	72.7%	70.6%
Intangible assets	2,349.4	2,397.5	(48.1)	-2.0%	2.9%	2.8%
Deferred tax assets - net	441.5	959.3	(517.8)	-54.0%	0.5%	1.1%
Exploration and evaluation assets	1,068.5	1,038.1	30.4	2.9%	1.3%	1.2%
Derivative assets	-	9.6	(9.6)	-100.0%	0.0%	0.0%
Other noncurrent assets	2,812.1	1,355.6	1,456.5	107.4%	3.4%	1.6%
Total Noncurrent Assets	66,597.9	65,637.3	960.6	1.5%	80.8%	77.4%
TOTAL ASSETS	82,394.6	84,775.0	(2,380.4)	-2.8%	100.0%	100.0%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Trade and other payables	4,092.9	3,985.1	107.8	2.7%	5.0%	4.7%
Income tax payable	52.9	66.4	(13.5)	-20.3%	0.1%	0.1%
Due to related parties	63.1	537.0	(473.9)	-88.2%	0.1%	0.6%
Current portion of:						
Long-term debts	1,354.7	16,930.8	(15,576.1)	-92.0%	1.6%	20.0%
Royalty fee payable	302.9	244.3	58.6	24.0%	0.4%	0.3%
Total Current Liabilities	5,866.5	21,763.6	(15,897.1)	-73.0%	7.1%	25.7%
Noncurrent Liabilities						
Long-term debts - net of current portion	40,823.8	30,533.7	10,290.1	33.7%	49.5%	36.0%
Royalty fee payable - net of current portion	405.9	566.7	(160.8)	-28.4%	0.5%	0.7%
Deferred tax liabilities - net	-	17.3	(17.3)	-100.0%	0.0%	0.0%
Net retirement and other post-retirement benefits	1,425.0	1,237.1	187.9	15.2%	1.7%	1.5%
Other long-term liabilities	289.9	324.6	(34.7)	-10.7%	0.5%	0.5%
Total Noncurrent Liabilities	42,944.6	32,679.4	10,265.2	31.4%	52.2%	38.6%
Total Liabilities	48,811.1	54,443.0	(5,631.9)	-10.3%	59.3%	64.3%
EQUITY						
Equity Attributable to Equity Holders of the Parent						
Preferred stock	93.8	93.8	-	0.0%	0.1%	0.1%
Common stock	18,750.0	18,750.0	-	0.0%	22.8%	22.1%
Common stock in employee trust account	(391.6)	(391.6)	-	0.0%	-0.5%	-0.5%
Additional paid-in capital	6,262.0	6,262.0	-	0.0%	7.6%	7.4%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-4.5%	-4.4%
Accumulated unrealized gain on AFS investments	125.7	113.2	12.5	11.0%	0.2%	0.1%
Retained earnings	10,647.4	7,681.2	2,966.2	38.6%	12.9%	9.1%
Total Equity	31,780.9	28,802.2	2,978.7	10.3%	38.5%	33.9%
Minority Interest	1,802.6	1,529.8	272.8	17.8%	2.2%	1.8%
Total Equity	33,583.5	30,332.0	3,251.5	10.7%	40.6%	35.7%
TOTAL LIABILITIES AND EQUITY	82,394.6	84,775.0	(2,380.4)	-2.8%	100.0%	100.0%

Cash and cash equivalents

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

The 40.5% or ₱4,549.7 million decrease to ₱6,671.2 million as of June 30, 2010 from the ₱11,220.9 million in December 31, 2009 balance was mainly due to the following:

- ₱18,000.0 million settlement of Miyazawa II, PNOC on-lent, PSALM's staple financing on FGHPC's acquisition of PAHEP-MAHEP and regular debt servicing;
- ₱2,496.3 million payment of cash dividend;
- ₱1,311.0 million spent for property, plant and equipment; and
- ₱495.1 million payment to First Gen by FGHPC for the cash support

These were partly offset by the proceeds from US\$175 million syndicated term loan facility (₱8,058.8 million) for Parent Company and from FG Hydro's P5,000.0 million loan from local banks, internal cash generation for the first six months of 2010 (₱4,341 million), and interest income received on investments (₱207.6 million).

Parts and supplies inventories

The 11.6% or ₱180.3 million increase to ₱1,734.1 million as of June 30, 2010 from the ₱1,553.8 million in December 31, 2009 was mainly due to procurement of drilling consumables and spare parts for the power plants and fluid-collection recycling systems (FCRS).

Other current assets

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

The 611.2% or ₱861.8 million increase in the first six months of 2010 from the ₱141.0 million December 31, 2009 balance was attributed mainly to the following:

- ₱300.0 million worth of Input VAT refund certificates applicable in 2011;
- ₱196.0 million prepaid insurance on industrial all risk coverage;
- ₱195.7 million advances to suppliers and contractors, and
- ₱100.0 million prepaid taxes withheld by NPC and other customers on steam and electricity billings.

Derivative assets (non-current)

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

This account decreased by 100% or ₱9.6 million to ₱0.9 million as of June 30, 2010 from the ₱9.6 million balance as of December 31, 2009 due to scheduled payments made for the current period by FG Hydro.

Other non-current assets

The 107.4% or ₱1,456.5 million increase to P2,812.1 million as of June 30, 2010 from the P1,355.6 million balance as of December 31, 2009 was primarily due to the recognition of non-current Input VAT refund certificates for 1998-1999 claims.

Income tax payable

The 20.3% or ₱13.5 million decrease to ₱52.9 million as of June 30, 2010 from the ₱66.4 million balance as of December 31, 2009 was due to the ₱198.9 million payment, ₱74.4 million application of Withholding Tax Credit certificates against income tax payments in 2010, offset by ₱259.8 million accrual of income tax liability.

Due to related parties

The 88.2% or ₱473.9 million decrease to ₱63.1 million as of June 30, 2010 from the ₱537.0 million December 31, 2009 balance was mainly due to FG Hydro's settlement of its liabilities to First Gen.

Royalty fee payable (inclusive of current portion)

The 12.6% or ₱102.2 million decrease to ₱708.8 million as of June 30, 2010 from the ₱811.0 million year-end 2009 balance was mainly due to the ₱178.8 million royalty payments for the first semester of 2010 offset by ₱103.3 million accrual of royalty fee due for the period.

Long-term liabilities (inclusive of current portion)

Long-term debt, consisting of JPY, US\$ and PHP loans, decreased by 11.1% or ₱5,286.0 million to ₱42,178.5 million as of June 30, 2010, from ₱47,464.5 million as of December 31, 2009 million mainly due to the full settlement of ₱11,043.7 million of Miyazawa II and ₱4,212.2 million PNOC on-lent loans and ₱656.4 million settlement of maturing principal on OECF loans and Fixed Coupon Rate Notes, and P2,298.9 settlement of PSALM's staple financing. These were offset by ₱8,058.7 million proceeds from US\$175M syndicated term loan facility and the ₱5,000.0 million from FG Hydro's loan from local banks.

Deferred tax liability

This account pertains to the deferred tax liability on unrealized foreign exchange gain arising from the restatement of FG Hydro's Deferred Payment Facility with PSALM. It decreased by 100.0% or ₱17.3 million as of June 30, 2010 from the ₱17.3 million balance as of December 31, 2009 due to settlement of the PSALM facility in 2010.

Net retirement and other post-retirement benefits

This account pertains to the funded, non-contributory, defined benefit retirement plan maintained for all Parent Company's permanent employees. The 15.2% or ₱187.9 million increase was accounted for by the accrual of retirement benefits for the first half of 2010.

Other long-term liabilities

The 10.7% or ₱34.7 million decrease to ₱289.9 million as of June 30, 2010 from the ₱324.6 million December 31, 2009 balance was traceable to the payment of the 10 days monetized vacation leave of employees.

Net accumulated unrealized gain on AFS investments

The 11.0% or ₱12.5 million increase to ₱125.7 million as of June 30, 2010 from the ₱113.2 million balance as of December 31, 2009 was mainly due to the hike in fair value of the investments.

Retained earnings

The 38.6% or ₱2,966.2 million increase to ₱10,647.4 million as of June 30, 2010 from the ₱7,681.2 million December 31, 2009 balance was accounted for by the ₱5,223.9 million net income attributable to the equity holders of Parent Company posted in the first semester of 2010 offset by the ₱2,256.3 million cash dividends declared on April 11, 2010.

Minority interest

The 17.8% or ₱272.8 million increase to ₱1,802.6 million as of June 30, 2010 from the ₱1,529.8 million as of December 31, 2009 balance was on account of the P512.8 million First Gen's share in the net income of FG Hydro for the first six months of 2010, partly reduced by the P240 million share in cash dividend paid out.

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

BALANCE SHEET						
Horizontal of Material Changes as of June 30, 2010 and June 30, 2009						
(Amounts In PHP millions)	June 2010	June 2009	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Increase (Decrease)		2009	2008
			Amount	%		
ASSETS						
Current Assets						
Cash and cash equivalents	6,671.2	2,868.1	3,803.1	132.6%	8.1%	4.3%
Trade and other receivables	5,640.6	3,458.1	2,182.5	63.1%	6.8%	5.2%
Current portion of concession receivables	-	2,053.3	(2,053.3)	-100.0%	0.0%	3.1%
Available-for-sale (AFS) investments	748.0	735.1	12.9	1.8%	0.9%	1.1%
Parts and supplies inventories	1,734.1	1,561.6	172.5	11.0%	2.1%	2.3%
Due from related parties	-	28.4	(28.4)	-100.0%	0.0%	0.0%
Other current assets	1,002.8	663.0	339.8	51.3%	1.2%	1.0%
Noncurrent assets held for sale	15,796.7	11,367.6	4,429.1	39.0%	19.2%	17.0%
	-	541.8	(541.8)	-100.0%	0.0%	0.8%
Total Current Assets	15,796.7	11,909.4	3,887.3	32.6%	19.2%	17.8%
Noncurrent Assets						
Property, plant and equipment	59,926.4	5,777.3	54,149.1	937.3%	72.7%	8.6%
Service concession assets						
Concession receivables - net of current portion	-	31,618.1	(31,618.1)	-100.0%	0.0%	47.3%
Intangible assets	-	9,697.3	(9,697.3)	-100.0%	0.0%	14.5%
Intangible assets	2,349.4	2,445.6	(96.2)	-3.9%	2.9%	3.7%
Deferred tax assets - net	441.5	3,392.6	(2,951.1)	-87.0%	0.5%	5.1%
Exploration and evaluation assets	1,068.5	1,027.6	40.9	4.0%	1.3%	1.5%
Derivative assets	-	25.2	(25.2)	-100.0%	0.0%	0.0%
Other noncurrent assets	2,812.1	927.2	1,884.9	203.3%	3.4%	1.4%
Total Noncurrent Assets	66,597.9	54,910.9	11,687.0	21.3%	80.8%	82.2%
TOTAL ASSETS	82,394.6	66,820.3	15,574.3	23.3%	100.0%	100.0%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Trade and other payables	4,092.9	2,681.7	1,411.2	52.6%	5.0%	4.0%
Loan payable	-	2,970.8	(2,970.8)	-100.0%	0.0%	4.4%
Income tax payable	52.9	724.7	(671.8)	-92.7%	0.1%	1.1%
Due to related parties	63.1	101.3	(38.2)	-37.7%	0.1%	0.2%
Current portion of:						
Long-term debts	1,354.7	13,349.9	(11,995.2)	-89.9%	1.6%	20.0%
Royalty fee payable	302.9	555.3	(252.4)	-45.5%	0.4%	0.8%
Total Current Liabilities	5,866.5	20,383.7	(14,517.2)	-71.2%	7.1%	30.5%
Noncurrent Liabilities						
Long-term debts - net of current portion	40,823.8	14,657.9	26,165.9	178.5%	49.5%	21.9%
Royalty fee payable - net of current portion	405.9	798.0	(392.1)	-49.1%	0.5%	1.2%
Deferred tax liabilities - net	-	8.5	(8.5)	-100.0%	0.0%	0.0%
Net retirement and other post-retirement benefits	1,425.0	1,094.8	330.2	30.2%	1.7%	1.6%
Other long-term liabilities	289.9	270.8	19.1	7.1%	0.5%	0.5%
Total Noncurrent Liabilities	42,944.6	16,830.0	26,114.6	155.2%	52.2%	25.3%
Total Liabilities	48,811.1	37,213.7	11,597.4	31.2%	59.3%	55.8%
EQUITY						
Equity Attributable to Equity Holders of the Parent						
Preferred stock	93.8	75.0	18.8	25.0%	0.1%	0.1%
Common stock	18,750.0	15,000.0	3,750.0	25.0%	22.8%	22.4%
Common stock in employee trust account	(391.6)	-	(391.6)	100.0%	-0.5%	0.0%
Additional paid-in capital	6,262.0	6,278.1	(16.1)	-0.3%	7.6%	9.4%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-4.5%	-5.5%
Accumulated unrealized gain on AFS investments	125.7	86.5	39.2	45.3%	0.2%	0.1%
Retained earnings	10,647.4	10,703.1	(55.7)	-0.5%	12.9%	16.0%
Cost of treasury stock held	-	(404.2)	404.2	-100.0%	0.0%	-0.6%
Minority Interest	1,802.6	1,574.5	228.1	14.5%	2.2%	2.4%
Total Equity	33,583.5	29,606.6	3,976.9	13.4%	40.6%	44.2%
TOTAL LIABILITIES AND EQUITY	82,394.6	66,820.3	15,574.3	23.3%	100.0%	100.0%

Cash and cash equivalents

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

The 132.6% or ₱3,803.1 million increase to ₱6,671.2 million from the ₱2,868.1 million June 30, 2009 balance was mainly due to the following:

- ₱12,000.0 million proceeds from the issuance of public bonds in December 2009;
- ₱8,058.7 million proceeds from club loan facility in 2010;
- ₱8,413.1 million internal cash generation from July 2009 to June 2010;
- ₱9,000.0 million proceeds from fixed rate corporate notes in 2009;
- ₱5,000.0 million proceeds from long-term peso loans by FG Hydro in 2010;
- ₱1,530.4 million proceeds from short-term loans in 2009; and
- ₱1,402.3 million proceeds from sale of Fort Bonifacio (FB) properties to PNOC in 2009.

The above increases were mainly reduced by the following:

- ₱10,165.3 million acquisition of Palinpinon and Tongonan I power plants in 2009;
- ₱19,204.0 million settlement of Miyazawa II, PNOC on-lent, PSALM's staple financing on FGHPC's acquisition of PAHEP-MAHEP and regular debt servicing in 2010;
- ₱4,510.4 million for the acquisition of property, plant and equipment;
- ₱4,483.3 million settlement of short-term loans; and
- ₱2,496.3 million payment of cash dividend.

Trade and other receivables - net

This account, consisting mainly of receivables from NPC, distribution utilities, contractors and employees, increased by 63.1% or ₱2,182.5 million as of June 30, 2010 to ₱5,640.6 million from the ₱3,458.1 balance as of June 30, 2009 mainly due to increase in trade receivables owing to Parent Company's delayed collection (₱1,420.8 million) and GCGI's receivable this year - none in 2009 (₱714.9 million).

Parts and supplies inventories

The 11.0% or ₱172.5 million increase in this account to ₱1,734.1 million as of June 30, 2010 from ₱1,561.6 million level as of June 30, 2009 was largely accounted for by the increase, net of withdrawals, in drilling consumables (₱86.1 million), power plant spares (₱38.4.0 million), in-transit items (₱26.4 million and construction materials (₱9.6 million) given the maintenance and rehabilitation activities in 2010.

Due from related parties

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

Other current assets

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

The 51.3% or ₱339.8 million increase in the first semester of 2010 to ₱1,002.8 million from the ₱663.0 million balance as of June 30, 2009 was attributed mainly to the ₱300.0 million Input VAT refund certificates applicable for 2011.

Noncurrent assets held for sale

The ₱541.8 million noncurrent assets held for sale represent the remaining parcel of land, buildings and improvements owned by the Company in Fort Bonifacio head office. The sale transaction entered into with PNOC prior to the Company's privatization was completed in December 2009.

Concession receivable (inclusive of current portion)

The outstanding balance of this account as of October 23, 2009 was reclassified to Property, plant and equipment account due to scope out of IFRIC 12.

Property, plant and equipment - net

The substantial increase by 937.3% or ₱54,149.1 million to ₱59,926.4 million as of June 30, 2010 from the ₱5,777.3 million in June 30, 2009 was due to scope out of IFRIC 12, thus, outstanding balances of Concession receivable and Parent Company's Intangible assets accounts as of October 23, 2009 were reclassified to Property, plant and equipment account.

Goodwill and intangible assets-net

Intangible asset decreased by 100.0% or ₱9,697.3 million as of June 30, 2010 from the ₱9,697.3 million balance as of June 30, 2009. The decrease was due to scope out of IFRIC 12, thus, outstanding balances of Parent Company's Intangible assets accounts as of October 23, 2009 was reclassified to property, plant and equipment account. The ₱48.1 million amortization of FG Hydro's water rights also contributed to the decrease in this account.

Deferred tax assets - net

Net deferred tax assets decreased by 87.0% or ₱2,951.1 million to ₱441.5 million in the first semester of 2010 from ₱3,392.6 million as of June 30, 2009 mainly due to the write-down of deferred tax asset from the reduced corporate income tax rate of 10% under the RE Law starting February 2009 and the realization of the deferred tax asset on unrealized forex losses brought about by the full settlement of PNOC relent loans, payment of maturing principal on OECF loans and Miyazawa II.

Derivative assets (non-current)

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

This account decreased by 100.0% or ₱25.2 million as of June 30, 2010 from the ₱25.2 million balance as of June 30, 2009 due to the scheduled payments made by FG Hydro.

Other non-current assets, net

This account increased by 203.3% or ₱1,884.9 million to ₱2,812.1 million as of June 30, 2010 from ₱927.2 million as of June 30, 2009. The increase was mainly due to the recognition of Input VAT refund certificates.

Trade and other payables

This account increased by 52.6% or ₱1,411.2 million to ₱4,092.9 million in the first six months of 2010 from ₱2,681.7 million in June 30, 2009 was mainly due to the ₱1,121.7 million liabilities to suppliers/contractors and to BIR for withholding taxes plus the ₱289.6 million accrued interest on loans.

Loan Payable

The June 2009 balance pertained to short term borrowing which was also fully settled in end-2009.

Income tax payable

This account decreased by 92.7% or ₱671.8 million to ₱52.9 million as of June 30, 2010 from the ₱724.7 million June 30, 2009 balance mainly due to the payment of ₱333.1 million and ₱278.3 million application of Withholding Tax Certificates for income tax due in 2010.

Due to related parties

This account decreased by 37.7% or ₱38.2 million to ₱63.1 million as of June 30, 2010 from the ₱101.3 million balance as of June 30, 2009 on account of settlement of liabilities to First Gen.

Royalty fee payable (inclusive of current portion)

This account decreased by 47.6% or ₱644.5 million to ₱708.8 million as of June 30, 2010 from ₱1,353.30 million as of June 30, 2009 due to royalty payments.

Long-term debt (inclusive of current portion)

Long-term debt, consisting of JP¥, US\$ and PHP loans, increased by 50.6% or ₱14,170.7 million to ₱42,178.5 million as of June 30, 2010 from ₱28,007.8 million as of June 30, 2009.

The increase was mainly due to the following:

- ₱12,000.0 million from issuance of public bonds in December 2009;
- ₱8,058.7 million from the syndicated term loan facility in 2010;
- ₱9,000.0 million from fixed rate corporate notes in 2009; and
- ₱5,000.0 million from long-term peso loans by FG Hydro in 2010.

The above loans were mainly reduced by the ₱19,204.0 million settlement of Miyazawa II, PNOC on-lent, PSALM's staple financing on FGHPC's acquisition of PAHEP-MAHEP and regular debt servicing in 2010.

Deferred tax liability

This account pertains to the deferred tax liability on unrealized foreign exchange gain arising from the restatement of FG Hydro's PSALM staple financing.

It decreased by 100.0% or ₱8.5 million as of June 30, 2010 from the ₱8.5 million balance as of June 2009 with the full settlement of FG Hydro's PSALM staple financing.

Net retirement and other post-retirement benefits

This account pertains to the funded, non-contributory, defined benefit retirement plan maintained for all Parent Company permanent employees.

It increased by 30.2% or ₱330.2 million mainly due to the accrual of retirement benefits from July 2009 to June 2010.

Other long-term liabilities

This account increased by 7.1% or ₱19.1 million to ₱289.9 million as of June 30, 2010 from ₱270.8 million as of June 30, 2009 mainly due to higher accrual of vacation and sick leave benefits.

Preferred Stock/Common Stock

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

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

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

Net accumulated unrealized gain on AFS investments

This account increased by 45.3% or ₱39.2 million to ₱125.7 million as of June 30, 2010 from ₱86.5 million at end-June 2009 mainly due to the rise in fair value of the investments.

Retained earnings

Retained earnings decreased by 0.5% or ₱55.7 million to ₱10,647.4 million as of June 30, 2010 from the ₱10,703.1 million June 30, 2009 balance. This was mainly accounted for by the following:

- ₱3,750.0 million stock dividend in the second half of 2009
- ₱2,256.3 million cash dividend in 2010

Addition on account of net income attributable to equity holders of Parent Company from July 2009 to June 2010 (₱5,952.1 million) offset the reduction for dividends.

Minority interest

This account increased by 14.5% or ₱228.1 million to ₱1,802.6 million as of June 30, 2010 from ₱1,574.5 million as of June 30, 2009 balance on account of First Gen's share in the net income of FG Hydro from July 2009 to June 2010 amounting to ₱468.1 million partly offset by the ₱240 million cash dividend paid in 2010.

CASH FLOW

Net cash flows from operating activities decreased by 23.0% or ₱1,320.7 million to ₱4,433.7 million in the first six months of 2010 from ₱5,754.4 million during the same period in 2009 mainly due to non-collection in June 2010 of the ₱1,420.2 million May 2010 regular billings for electricity and steam sales.

Net cash flows used in investing activities amounted to ₱1,542.7 million in the first half of 2010 as against net cash flows from investing activities ₱868.9 million in the same period in 2009 mainly due to the absence of ₱1,127.7 million proceeds from the sale of Fort Bonifacio (FB) properties to PNOC in 2010 and ₱1,227.7 million outflows for capitalized well costs.

Net cash flow used in financing activities increased by 57.6% or ₱2,715.8 million to ₱7,428.1 million as of June 30, 2010 from ₱4,712.3 million during the same period in 2009 mainly due to the ₱18,000 million settlement of Miyazawa II, PNOC on-lent, PSALM's financing on acquisition of PAHEP-MAHEP and regular debt servicing, partly offset by the proceeds from the US\$175 million syndicated term loan facility (by ₱8,058.7 million) for Parent Company and from FG Hydro's ₱5,000.0 million loan from local banks.

DISCUSSION ON THE SUBSIDIARIES

FG Hydro

2010 First Semester Results

(Amounts in PHP millions)	As of and for the periods ended June 30	
	2010 (Unaudited)	2009 (Unaudited)
Revenues	1,756.3	742.3
Operating expenses	(368.7)	(280.0)
Other income (charges)	(122.9)	(239.3)
Income before income tax	1,264.7	223.0
Benefit from income tax	17.3	2.8
Net income	1,282.0	225.8
Total Current Assets	2,224.4	320.9
Total Non-Current Assets	7,401.4	6,657.3
Total Current Liabilities	383.7	796.2
Total Noncurrent Liabilities	4,735.6	2,245.8
Total Equity	4,506.5	3,936.2

FG Hydro generated revenues of ₱1,756.3 million for the six-month period ended June 30, 2010, 136.6% or ₱1,014.0 million higher than revenues of ₱742.3 million for the same period in 2009. The favorable variance was mainly on account of the combined effects of higher dispatch due to increased irrigation requirements and 10 MW increase in power generation capacity on account of the completion of the rehabilitation of PAHEP's Unit 1, and

significantly higher spot prices in the WESM driven by supply shortage in the first quarter. The appreciation of the Peso further boosted the favorable variance with foreign exchange gains of ₱85.5 million for the six-month period ended June 30, 2010 compared with losses of ₱41.3 million for the same period in 2009. The favorable variances were partly offset, however, by increased depreciation and higher accrued taxes. Overall, FG Hydro posted a net income of ₱1,282.0 million for the six-month period ended June 30, 2010, 467.8% or ₱1,056.2 million better than the ₱225.8 million reported income for the same period in 2009.

Total assets as of June 30, 2010 stood at ₱9,625.8 million, 37.9% or ₱2,647.6 million higher than the 2009 level of ₱6,978.2 million. The favorable variance was mainly due to higher cash balance from the Peso loan proceeds, and capital expenditures resulting from the on-going Pantabangan refurbishment and upgrade project, though partly offset by depreciation and amortization charges during the period.

As of June 30, 2010, total liabilities stood at ₱5,119.3 million, 68.3% or ₱2,077.3 million higher than the 2009 level of ₱3,042.0 million. The increase in liabilities was mainly due to the refinancing of the deferred payment facility to PSALM with a ₱5.0 billion peso loan.

Total equity as of June 30, 2010 of ₱4,506.5 million is 14.5% or ₱570.3 million higher compared to the June 30, 2009 level of ₱3,936.2 million.

GCGI

2010 First Semester Results

(Amounts in PHP millions)	YTD March 2010	YTD June 2010
Revenues	1,487.8	3,145.5
Expenses	1,572.2	3,522.5
Operating loss	(84.4)	(377.0)
Benefit from income tax	25.3	113.6
Net loss	(59.1)	(263.4)
Total Current Assets	725.4	1,003.1
Total Non-Current Assets	9,983.6	10,040.9
Total Current Liabilities	6,543.0	7,082.4
Total Equity	4,166.0	3,961.6

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

GCGI's revenues for the period January 1 to June 30, 2010 amounted to ₱3,145.5 million (net of the 3% prompt payment discount availed by the customers). Revenues came from the electric energy supplied by Palinpinon and Tongonan Geothermal Power Plants to various TSC customers (₱3,032.9 million) and the replacement power supplied by GCGI to EDC (₱112.6 million).

Expenses were largely attributable to fuel-geothermal steam provided by EDC to GCGI's power plants (₱2,648.6 million), interest (₱262.8 million), depreciation (₱253.7 million), operations & maintenance (₱210.1 million), general & administrative (₱93.5 million) and purchased services & utilities (₱37.0 million).

Total current assets were mainly for trade and other receivables (₱714.9 million) and cash & cash equivalents (₱239.8 million) while bulk of the non-current assets were traced to property, plant & equipment (₱9,913.4 million).

Total liabilities pertained to the cash support provided by EDC to GCGI, including the advances that were used to prepay the 60% PSALM deferred payment facility (₱5,872.2 million) and trade & other payables (₱1,210.2 million).

Total equity consisted of the additional paid in capital on preferred & common stocks (₱2,847.4 million), deposit for future stocks subscription (₱1,042.0 million) and common & preferred stocks (₱276.2 million) offset by the ₱204 million deficit.

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

As of June 30, 2010, the company has unserved purchase orders and awarded contracts for the purchase of various capital goods in the total amount of ₱26.4 million.

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

Legal proceedings

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

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

The Company has ₱12,796.3 million in long-term US dollar and Yen denominated loans as of June 30, 2010, of which 38.4% is Yen-denominated.

OTHER MATTERS

CASH DIVIDEND

On March 25, 2010, the BOD of the Parent Company approved the following cash dividends in favor of all stockholders of record as of April 13, 2009 and payable on or before April 30, 2010:

- cash dividend of ₱0.0008 per share on the preferred shares
- regular cash dividend of ₱0.12 per share on the common shares.

MAJOR STOCKHOLDERS

As of June 30, 2010, the total number of stockholders was 686 and the stock price was P4.55.

List of Top 20 Stockholders as of June 30, 2010

Rank	Name	Nationality	Number of Shares			%
			Preferred	Common	Total	
1	Red Vulcan Holdings Corporation	Filipino	9,375,000,000	7,500,000,000	16,875,000,000	60.00%
2	PCD Nominee Corporation	Foreign	-	7,840,466,142	7,840,466,142	27.88%
3	PCD Nominee Corporation	Filipino		2,707,153,671	2,707,153,671	9.63%
4	First Gen Corporation	Filipino		458,643,750	458,643,750	1.63%
5	Spathodea Campanulata, Inc.	Filipino		90,000,000	90,000,000	0.32%
6	Philhealth Care, Inc.	Filipino		63,725,350	63,725,350	0.23%
7	Regina Capital Dev. Corp.	Filipino		35,002,500	35,002,500	0.12%
8	Sytems Technology, Inc.	Filipino		12,745,200	12,745,200	0.05%
9	The Insular Life Assurance Co., Ltd.	Filipino		8,423,750	8,423,750	0.03%
10	Peter D. Garrucho, Jr.	Filipino		5,350,000	5,350,000	0.02%
11	Benjamin K. Liboro	Filipino		3,525,500	3,525,500	0.01%
12	Ernesto B. Rufino, Jr.	Filipino		2,175,000	2,175,000	0.01%
13	Ronaldo C. Sabella	Filipino		1,018,750	1,018,750	0.00%
14	CROSLO Holdings Corporation	Filipino		875,000	875,000	0.00%
15	Tan Ben Kuan	Filipino		875,000	875,000	0.00%
16	ALG Holdings Corporation	Filipino		875,000	875,000	0.00%
17	Mapazon Corporation	Filipino		840,000	840,000	0.00%
18	Hi-Light Corporation	Filipino		827,500	827,500	0.00%
19	Rosalind Camara	Filipino		663,750	663,750	0.00%
20	Rodolfo R. Waga, Jr.	Filipino		658,750	658,750	0.00%

BOARD OF DIRECTORS

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

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

KEY OFFICERS

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

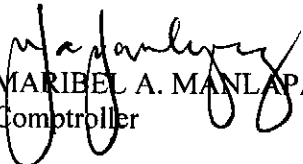
Name	Position
Paul A. Aquino	Chief Executive Officer
Richard B. Tantoco	President and Chief Operating Officer
Ernesto B. Pantangco	Executive Vice President
Agnes C. de Jesus	Senior Vice President for Environmental and External Affairs and Compliance Officer
Anthony M. Mabasa	Senior Vice President
Regina Pia B. Go	Senior Vice President and Chief Financial Officer
Marcelino M. Tongco	Vice President for Operations
Manuel S. Ogena	Vice President for Technical Services
Danilo C. Catigtig	Vice President for Power Generation
Glenn I. Funk	Vice President for Supply Chain Management
Ernesto G. Espinosa	Vice President for Human Resource Management
Vincent Martin C. Villegas	Vice President for Business Development
Maribel A. Manlapaz	Comptroller
Roberto V. San Jose	Corporate Secretary
Ana Maria A. Katigbak-Lim	Assistant Corporate Secretary
Michael R. Rodriguez	Senior Manager, Internal Audit
Francisco A. Palafox	Deputy Compliance Officer
Erudito S. Recio	Senior Manager, Investor Relations

SIGNATURES


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

Registrant

ENERGY DEVELOPMENT (EDC) CORPORATION


MARIBEL A. MANLAPAZ
Comptroller

July 22, 2010
Date Signed


AGNES C. DE JESUS
Senior Vice President and Compliance Officer

July 22, 2010
Date Signed

Annex I

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

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

ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONDENSED CONSOLIDATED****STATEMENTS OF FINANCIAL POSITION****JUNE 30, 2010 AND 2009****(With Comparative Figures as of December 31, 2009)**

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 5 and 36)	₱ 6,671,248,993	₱11,220,897,157	₱ 2,868,119,107
Trade and other receivables (Notes 6 and 36)	5,640,565,841	5,487,246,002	3,458,129,972
Current portion of concession receivables (Note 36)	-	-	2,053,340,244
Available-for-sale (AFS) investments (Note 36)	747,994,934	734,811,000	735,111,148
Parts and supplies inventories (Notes 7 and 36)	1,734,137,505	1,553,803,487	1,561,583,401
Due from related parties (Notes 27 and 36)	-	-	28,390,025
Other current assets	1,002,727,527	140,998,551	662,898,663
	15,796,674,800	19,137,756,197	11,367,572,560
Noncurrent assets held for sale (Note 8)	-	-	541,842,000
Total Current Assets	15,796,674,800	19,137,756,197	11,909,414,560
Noncurrent Assets			
Property, plant and equipment – net (Note 9)	59,926,371,846	59,877,186,791	5,777,331,207
Service concession assets:			
Concession receivable - net of current portion (Note 36)	-	-	31,618,102,138
Intangible assets (Note 10)	-	-	9,697,263,977
Intangible assets (Note 10)	2,349,402,057	2,397,497,635	2,445,593,214
Deferred tax assets – net	441,533,770	959,273,421	3,392,624,355
Exploration and evaluation assets	1,068,491,477	1,038,052,272	1,027,640,648
Derivative assets (Note 36)	39,894	9,611,022	25,150,735
Other noncurrent assets – net (Note 11)	2,812,102,159	1,355,560,188	927,177,600
Total Noncurrent Assets	66,597,941,203	65,637,181,329	54,910,883,874
TOTAL ASSETS	₱82,394,616,003	₱84,774,937,526	₱66,820,298,434
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Notes 12 and 36)	₱4,092,948,004	₱3,985,053,445	₱ 2,681,680,300
Loan payable (Note 36)	-	-	2,970,837,000
Income tax payable	52,916,172	66,400,060	724,735,550
Due to related parties (Notes 27 and 36)	63,114,490	537,020,209	101,337,671
Current portion of:			
Long-term debts (Notes 14 and 36)	1,354,681,567	16,930,776,636	13,349,920,929
Royalty fee payable (Notes 13 and 36)	302,911,397	244,306,963	555,263,561
Total Current Liabilities	5,866,571,630	21,763,557,313	20,383,775,011

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)
Noncurrent Liabilities			
Long-term debts - net of current portion (Notes 14 and 36)	40,823,827,209	30,533,721,755	14,657,915,511
Royalty fee payable - net of current portion (Notes 13 and 36)	405,896,568	566,697,746	797,986,907
Deferred tax liabilities – net	-	17,340,023	8,500,550
Net retirement and other post- retirement benefits	1,424,995,053	1,237,097,147	1,094,792,756
Other long-term liabilities	289,928,849	324,661,737	270,820,711
Total Noncurrent Liabilities	42,944,647,679	32,679,518,408	16,830,016,435
Total Liabilities	48,811,219,309	54,443,075,721	37,213,791,446
Equity (Note 16)			
Attributable to Equity Holders of the Parent Company:			
Preferred stock	93,750,000	93,750,000	75,000,000
Common stock	18,750,000,000	18,750,000,000	15,000,000,000
Common stock in employee trust account	(391,643,364)	(391,643,364)	-
Additional paid-in capital	6,262,027,052	6,262,027,052	6,278,075,648
Equity reserve	(3,706,430,769)	(3,706,430,769)	(3,706,430,769)
Net accumulated unrealized gain on AFS investments	125,706,287	113,177,323	86,544,507
Retained earnings	10,647,422,896	7,681,220,446	10,703,074,033
Cost of treasury stock held	-	-	(404,219,068)
	31,780,832,102	28,802,100,688	28,032,044,351
Minority Interest	1,802,564,592	1,529,761,117	1,574,462,637
Total Equity	33,583,396,694	30,331,861,805	29,606,506,988
TOTAL LIABILITIES AND EQUITY	₱82,394,616,003	₱84,774,937,526	₱66,820,298,434

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF INCOME
FOR THE PERIOD ENDED JUNE 30, 2010 AND 2009

	Three-month Periods Ended June 30		Six-month Periods Ended June 30	
	2010	2009	2010	2009
REVENUES (Note 4)				
Sale of electricity	₱5,198,439,935	₱3,255,187,415	₱11,741,390,446	₱6,839,259,630
Sale of steam	446,014,346	902,020,118	886,041,338	2,008,292,419
Interest income on service concessions	-	503,156,584	-	1,011,159,301
Drilling services	216,666,646	222,364,945	394,167,756	399,993,038
Construction revenue	-	280,130,567	-	449,019,866
	5,861,120,927	5,162,859,629	13,021,599,540	10,707,724,254
OPERATING EXPENSES				
Operations and maintenance (Note 18)	(1,213,107,477)	(1,916,202,790)	(2,338,213,623)	(3,344,495,823)
General and administrative (Note 19)	423,339,161	(923,662,169)	(332,763,919)	(1,578,499,504)
Purchased services and utilities (Note 17)	(421,739,398)	(335,346,260)	(761,766,292)	(937,727,363)
Construction costs	-	(241,491,868)	-	(387,086,091)
Depreciation and amortization (Notes 4 and 9)	(815,421,439)	(159,497,382)	(1,650,019,501)	(319,227,574)
	(2,026,929,153)	(3,576,200,469)	(5,082,763,335)	(6,567,036,355)
FINANCIAL INCOME (EXPENSES)				
Interest income - net of final tax (Notes 4 and 22)	89,005,257	258,544,081	224,322,049	369,279,056
Interest expense (Notes 4 and 21)	(921,194,828)	(655,765,584)	(1,785,180,572)	(1,206,206,948)
	(832,189,571)	(397,221,503)	(1,560,858,523)	(836,927,892)
OTHER INCOME (CHARGES) (Note 4)				
Foreign exchange gain (loss) - net (Note 20)	(984,495,077)	(131,541,752)	(309,702,504)	1,146,497,797
Derivatives gain (loss) - net (Note 36)	442,466,704	113,092,953	437,028,628	(185,835,123)
Miscellaneous - net (Note 23)	(11,474,338)	(145,651,586)	(8,327,210)	(128,381,062)
	(553,502,711)	(164,100,385)	118,998,914	832,281,612
INCOME BEFORE INCOME TAX	2,448,499,492	1,025,337,272	6,496,976,596	4,136,041,619
PROVISION FOR INCOME TAX				
Current (Note 26)	(52,921,842)	(923,991,493)	(259,857,709)	(1,436,215,104)
Deferred (Note 26)	(461,752,680)	315,810,878	(500,399,629)	(14,974,162)
	(514,674,522)	(608,180,615)	(760,257,338)	(1,451,189,266)
NET INCOME	1,933,824,970	417,156,657	₱5,736,719,258	₱2,684,852,353
Net income attributable to:				
Equity Holders of the Parent Company	₱1,927,285,921	₱421,756,139	₱5,223,915,783	₱2,594,523,015
Minority interest	6,539,049	(4,599,482)	512,803,475	90,329,338
	₱1,933,824,970	₱417,156,657	₱5,736,719,258	₱2,684,852,353
Basic/Diluted Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company (Note 25)	0.102	0.028	₱0.278	₱0.174

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30, 2010 AND 2009

	Three-month Periods Ended		Six-month Periods Ended	
	June 30		June 30	
	2010	2009	2010	2009
Net Income	₱1,933,824,970	₱417,156,657	₱5,736,719,258	₱2,684,852,353
Other comprehensive income				
Unrealized gain (loss) on AFS investments	3,222,781	(8,902,053)	12,528,964	55,718,153
Total comprehensive income	1,937,047,751	408,254,604	₱5,749,248,222	₱2,740,570,506
Total comprehensive income attributable to:				
Equity Holders of the Parent Company	₱1,930,508,702	₱412,854,086	₱5,236,444,747	₱2,650,241,168
Minority interests	6,539,049	(4,599,482)	512,803,475	90,329,338
	₱1,937,047,751	₱408,254,604	₱5,749,248,222	₱2,740,570,506

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2010 AND 2009**

	Equity Attributable to Equity Holders of the Parent											
	Preferred Stock	Common Stock	Common Shares in Employee Trust Account	Additional Paid-in Capital	Equity Reserve	Accumulated Unrealized Net Gain on AFS Investments	Retained Earnings		Cost of Treasury Stock Held	Total	Minority Interest	Total Equity
							Appropriated	Unappropriated				
Balance, January 1, 2009	75,000,000	15,000,000,000	-	6,278,075,648	(3,706,430,769)	30,826,354	-	9,977,933,235	(404,219,068)	27,251,185,400	1,484,133,299	28,735,318,699
Prior period adjustment	-	-	-	-	-	-	-	(7,217)	-	(7,217)	-	(7,217)
Total comprehensive income	-	-	-	-	-	55,718,153	-	2,594,523,015	-	2,650,241,168	90,329,338	2,740,570,506
Cash dividends – EDC Parent	-	-	-	-	-	-	-	(1,869,375,000)	-	(1,869,375,000)	-	(1,869,375,000)
Balance, June 30, 2009	75,000,000	15,000,000,000	-	6,278,075,648	(3,706,430,769)	86,544,507	-	10,703,074,033	(404,219,068)	28,032,044,351	1,574,462,637	29,606,506,988
Balance, January 1, 2010	93,750,000	18,750,000,000	(391,643,364)	6,262,027,052	(3,706,430,769)	113,177,323	-	7,681,220,446	-	28,802,100,688	1,529,761,117	30,331,861,805
Total comprehensive income	-	-	-	-	-	12,528,964	-	5,223,915,783	-	5,236,444,747	512,803,475	5,749,248,222
Documentary stamp tax on:												
Preferred shares subscription	-	-	-	-	-	-	-	(131,250)	-	(131,250)	-	(131,250)
Common share subscriptions	-	-	-	-	-	-	-	(1,248,750)	-	(1,248,750)	-	(1,248,750)
Cash dividends – EDC Parent (Note 32)	-	-	-	-	-	-	-	(2,256,333,333)	-	(2,256,333,333)	-	(2,256,333,333)
Cash dividends – FGHPC's minority interest	-	-	-	-	-	-	-	-	-	-	(240,000,000)	(240,000,000)
Balance, June 30, 2010	93,750,000	18,750,000,000	(391,643,364)	6,262,027,052	(3,706,430,769)	125,706,287	-	10,647,422,896	-	31,780,832,102	1,802,564,592	33,583,396,694

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

ENERGY DEVELOPMENT (EDC) CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱6,496,976,596	₱4,136,041,619
Adjustments for:		
Interest expense (Notes 4 and 21)	1,677,858,324	1,209,497,343
Depreciation and amortization (Notes 4 and 9)	1,650,019,501	319,227,574
Unrealized foreign exchange losses (gains)	102,198,134	(771,842,321)
Interest income on service concession	-	(1,011,159,301)
Interest income (Notes 4 and 22)	(231,707,866)	(372,569,451)
Derivatives loss (gain) - net	(437,028,628)	185,835,123
Reduction in allowance for doubtful accounts (Note 19)	(1,638,885,544)	(2,589,297)
Provision for doubtful accounts (Note 19)	16,267,362	125,524,464
Provision for retirement and other benefits	187,910,516	68,398,273
Provision for impairment of inventories	12,566,250	60,408,101
Loss (gain) on sale of fixed assets	286,115	4,024,380
Receipt of inventories from power plant contractor	-	(53,992,600)
“Day 1” gain on deferred royalties	-	(168,284,986)
Prior period unused Tax Credit Certificate and others	-	12,208,010
Impairment loss on noncurrent AFS	-	3,328,632
Operating income before working capital changes	7,836,460,760	3,744,055,563
Decrease (increase) in:		
Trade and other receivables (Notes 6 and 36)	(697,974,742)	2,516,284,150
Parts and supplies inventories (Note 7)	(192,900,268)	(85,176,501)
Service concession receivable (Note 36)	-	2,035,151,117
Other current assets	(460,373,485)	(258,624,312)
Increase (decrease) in:		
Trade and other payables (Notes 12 and 36)	252,209,803	(132,003,814)
Due to related parties (Note 27)	(473,905,720)	(37,255,234)
Other long-term liabilities	-	(41,996,146)
Royalty fee payable (Note 13)	(130,625,318)	(332,822,071)
Cash generated from operations	6,132,891,030	7,407,612,752
Interest and financing charges paid	(1,465,453,785)	(1,112,308,134)
Income taxes paid	(198,956,767)	(540,868,103)
Retirement and other post-retirement benefits paid	(34,745,498)	-
Net cash flows from operating activities	4,433,734,980	5,754,436,515
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	212,116,555	330,005,955
Acquisition of property, plant and equipment (Note 9)	(1,673,712,192)	(384,649,424)
Addition to intangible assets (Note 10)	-	(449,019,866)
Proceeds from sale of land	-	1,127,745,000
Decrease (increase) in:		
Exploration and evaluation assets	(10,081,080)	17,200,622
Other noncurrent assets (Note 11)	(71,066,210)	268,372,187
Amounts due from related parties (Note 27)	-	(40,754,479)
Net cash flows from (used in) investing activities	(1,542,742,927)	868,899,995

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term loans	₱463,840,000	₱966,525,000
Long-term debts (Note 14)	13,058,750,000	4,100,000,000
Payments of:		
Short-term loans	(452,950,000)	-
Long-term debts (Note 14)	(18,000,035,707)	(7,602,294,226)
Cash dividends (Note 32)	(2,496,333,333)	(1,869,375,000)
Documentary stamp	(1,380,000)	-
Obligations to power plant contractor (Note 15)	-	(112,187,446)
Premium on range bonus forward	-	(261,880,955)
Increase (decrease) in amounts due to related parties (Note 27)	-	66,937,266
Net cash flows (used in) financing activities	(7,428,109,040)	(4,712,275,361)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,537,116,987)	1,911,061,149
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(12,531,178)	(30,302)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,220,897,158	957,088,260
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱6,671,248,993	₱ 2,868,119,107

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”) is a subsidiary of Red Vulcan Holdings Corporation, (Red Vulcan). The Parent Company and its subsidiaries (collectively hereinafter referred to as the “Company”), are separately incorporated and registered with the Philippine Securities and Exchange Commission (SEC). Below are the Parent Company’s ownership interests in its subsidiaries:

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

* wholly owned subsidiary through FL Geothermal.

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

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

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

The Parent Company operates 12 geothermal projects in five geothermal service contract areas, namely Leyte Geothermal Production Field (LGPF), Southern Negros Geothermal Production Field (SNGPF), BacMan Geothermal Production Field (BGPF), Mindanao Geothermal Production Field (MGPF) and Northern Negros Geothermal Production Field (NNGPF) under the Geothermal Service Contracts (GSCs) entered into with the Department of Energy (DOE) pursuant to the provisions of Presidential Decree (P.D.) 1442. These GSCs were replaced by Geothermal

Renewable Energy Service Contracts (GRES-Cs) on October 23, 2009. Geothermal steam produced is sold to the National Power Corporation (NPC) or are fed to the Parent Company and subsidiary's power plants to produce electricity. EDC sells steam and power to NPC under the Steam Sales Agreements (SSAs) and Power Purchase Agreements (PPAs), respectively. EDC also sells electricity to Iloilo 1 Electric Cooperative (ILECO) under the Electricity Sales Agreement. Separately, it also has drilling activities in Papua New Guinea.

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

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

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

EDC Drillco is a company incorporated on September 28, 2009 to act as an independent service contractor, consultant, specialized technical adviser for well construction and drilling and other allied activities. EDC Drillco has an authorized capital stock of ₱1.0 million divided into 1,000,000 shares with a par value of ₱1.00 per share. Total subscribed and paid-up capital is ₱0.25 million, 25% of the authorized capital stock.

BGI is a special-purpose company incorporated on April 7, 2010 to participate in the bid for another local power plant. BGI has an authorized capital stock of ₱1.0 million divided into 100,000 shares with a par value of ₱10.00 per share. Total subscribed and paid-up capital is ₱0.25 million, 25% of the authorized capital stock.

EWEHI, a holding company incorporated on April 15, 2010, has an authorized capital stock of ₱40 thousand divided into 400 shares with a par value of ₱100.00 per share. Total subscribed and paid-up capital is ₱10 thousand, 25% of the authorized capital stock.

EBWPC is a company incorporated on April 13, 2010 to carry on the general business of generating, transmitting, and/or distributing energy. EBWPC has an authorized capital stock of ₱400 thousand divided into 4,000 shares with a par value of ₱100.00 per share. Total subscribed and paid-up capital is ₱100 thousand, 25% of the authorized capital stock.

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

Energy Development (EDC) Corporation Chile Limitada is a limited liability company, incorporated on February 11, 2010 in Santiago Chile thru the partnership of EDC and FL Geothermal. The capital of the company is \$330,000,000 Chilean pesos which EDC contributes \$329,999,500 Chilean pesos, equivalent to the 99.99% of the equity rights, that will pay in the term of 3 years from the date of incorporation, as the company needs requires it while FL Geothermal contributes \$500 Chilean pesos, equivalent to the 0.01% of the equity rights, that pays in this act, in cash.

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 July 19, 2010. The same unaudited interim condensed consolidated financial statements were also approved and authorized for issuance by the BOD on July 19, 2010.

2. **Basis of Preparation**

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

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

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

3. Significant Accounting Policies

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

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

- that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.
- that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*: clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.

- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*: states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

4. Segment Revenue and Segment Results for Operating Segments

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

The Company's identified operating segments below are consistent with the segments reported to the BOD, which is the Chief Operating Decision Maker (CODM) of the Company.

- a. Electricity segment - These are EDC's power plants covered mainly by long-term PPAs with NPC, FG Hydro's spot sales to and buying from the WESM and with various distribution utilities covered by TPSCs and GCGI's sales to various NPC-assigned customers covered by Power Supply Contracts.
- b. Steam segment - These relate to sale of steam to NPC plants covered by SSAs.
- c. All other segments - These relate to segment performing drilling services for Lihir Gold Ltd. and construction services accounted for under IFRIC 12 up to October 22, 2009.

The Company has one geographical segment since it derives principally all its revenues from domestic operations. Revenue from drilling services outside the Philippines is not material.

Management monitors the operating results of the business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Finance costs, finance income, income taxes and other charges and income are managed on a group basis. All of the Company's operations are in the Philippines and revenues generated are from domestic operations except for revenue from drilling services, included in "All Other Segments" category, which is from foreign services rendered to Lihir Gold Ltd.

NPC is the main customer for the electricity segment which comprised 57% of the total electricity revenue and the only external customer for the steam segment.

Financial information on the operating segments are summarized as follows:

	Electricity	Steam	All Other Segments	Eliminations	Total
Period Ended June 30, 2010					
(Unaudited)					
Segment revenue from external customers	₱11,741,390,446	₱886,041,338	₱394,167,756	₱-	₱13,021,599,540
Intersegment revenue	112,567,475	2,648,634,896	-	(2,761,202,371)	-
Total segment revenue*	11,853,957,921	3,534,676,234	394,167,756	(2,761,202,371)	₱13,021,599,540
Segment expenses	(6,172,025,043)	(1,306,124,413)	(355,266,222)	2,761,202,371	(5,072,213,307)
Unallocated segment expenses					(10,550,028)
Segment results	5,681,932,878	2,228,551,821	38,901,534	-	7,938,836,205
Unallocated interest income	-	-	-	-	224,322,049
Unallocated interest expense	-	-	-	-	(1,785,180,572)
Unallocated other income - net	-	-	-	-	118,998,914
Unallocated income taxes	-	-	-	-	(760,257,338)
Net income	₱5,681,932,878	₱2,228,551,821	₱38,901,534	₱-	₱5,736,719,258

Period Ended June 30, 2009

(Unaudited)

Segment revenue from external customers	₱7,738,180,398	₱2,120,530,952	₱849,012,904	₱-	₱10,707,724,254
Intersegment revenue	-	-	-	-	-
Total segment revenue*	₱7,738,180,398	₱2,120,530,952	₱849,012,904	-	₱10,707,724,254
Segment expenses	(4,346,185,210)	(1,492,258,167)	(718,983,344)	-	(6,557,426,721)
Unallocated segment expenses	-	-	-	-	(9,609,634)
Segment results	3,391,995,188	628,272,785	130,029,560	-	4,140,687,899
Unallocated interest income	-	-	-	-	369,279,056
Unallocated interest expense	-	-	-	-	(1,206,206,948)
Unallocated other income - net	-	-	-	-	832,281,612
Unallocated income taxes	-	-	-	-	(1,451,189,266)
Net income	₱3,391,995,188	₱628,272,785	₱130,029,560	₱-	₱2,684,852,353

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

	Electricity	Steam	All Other Segments	Eliminations	Total
As of June 30, 2010					
Segment assets	₱64,839,470,929	₱6,950,014,489	₱1,523,470,367	₱-	₱73,312,955,785
Unallocated corporate assets					9,081,660,218
Total assets	₱64,839,470,929	₱6,950,014,489	₱1,523,470,367	₱-	₱82,394,616,003
Segment liabilities	₱23,603,930,722	₱10,678,855,516	₱1,157,806,357	₱-	₱35,440,592,595
Unallocated corporate liabilities	-	-	-	-	13,370,626,714
Total liabilities	₱23,603,930,722	₱10,678,855,516	₱1,157,806,357	₱-	₱48,811,219,309
Capital expenditure	₱535,228,375	₱567,929,177	₱162,976,715	₱-	₱1,266,134,267
Unallocated capital expenditure					44,829,647
	₱535,228,375	₱567,929,177	₱162,976,715	₱-	₱1,310,963,914
Depreciation and amortization	(₱1,519,135,409)	(₱122,391,661)	(₱8,481,313)	₱-	(₱1,650,008,383)
Unallocated depreciation and amortization					(11,118)
	(₱1,519,135,409)	(₱122,391,661)	(₱8,481,313)	₱-	(₱1,650,019,501)
Unallocated impairment loss	₱-	₱-	₱-	₱-	₱-
Other non-cash items	₱1,525,939,239	(₱89,941,347)	(₱13,856,476)	₱-	₱1,422,141,416
Unallocated non-cash items	-	-	-	-	(120,527,756)
	₱1,525,939,239	(₱89,941,347)	(₱13,856,476)	₱-	₱1,301,613,660

As of and for the year ended

December 31, 2009

Segment assets	₱59,302,543,626	₱1,027,087,909	₱3,899,590,505	₱-	₱64,229,222,040
Unallocated corporate assets					20,545,715,486
Total assets	₱59,302,543,626	₱1,027,087,909	₱3,899,590,505	₱-	₱84,774,937,526
Segment liabilities	₱19,252,234,997	₱8,337,130,134	₱320,677,055	₱-	₱27,910,042,186
Unallocated corporate liabilities	-	-	-	-	26,533,033,535
Total liabilities	₱19,252,234,997	₱8,337,130,134	₱320,677,055	₱-	₱54,443,075,721

Capital expenditure	₱1,040,058,671	₱793,544,660	₱1,279,879,950	₱-	₱3,113,483,281
Unallocated capital expenditure					107,852,469
	₱1,040,058,671	₱793,544,660	₱1,279,879,950	₱-	₱3,221,335,750
Depreciation and amortization	(₱1,079,455,372)	(₱64,668,917)	(₱54,667,201)	-	(₱1,198,791,490)
Unallocated depreciation and amortization					(36,117)
	(₱1,079,455,372)	(₱64,668,917)	(₱54,667,201)	-	(₱1,198,827,607)
Unallocated impairment loss					₱349,000,000
Other non-cash items	(₱203,241,825)	(₱272,667,303)	(₱36,782,689)	₱-	(₱512,691,817)
Unallocated non-cash items					217,148,644
	(₱203,241,825)	(₱272,667,303)	(₱36,782,689)	₱-	(₱295,543,173)
As of June 30, 2009					
Segment assets	₱58,520,022,973	₱391,017,715	₱1,529,924,930	₱-	₱60,440,965,618
Unallocated corporate assets	-	-	-		6,379,332,816
Total assets	₱58,520,022,973	₱391,017,715	₱1,529,924,930	₱-	₱66,820,298,434
Segment liabilities	(₱19,710,338,413)	(₱8,942,316,058)	(₱209,321,911)		(₱28,861,976,382)
Unallocated corporate liabilities	-	-	-		(8,351,815,064)
Total liabilities	(₱19,710,338,413)	(₱8,942,316,058)	(₱209,321,911)	₱-	(₱37,213,791,446)
Capital expenditure	₱143,639,080	₱-	₱236,825,324	₱-	₱380,464,404
Unallocated capital expenditure					4,185,020
	₱143,639,080	₱-	₱236,825,324	₱-	₱384,649,424
Depreciation and amortization	(₱296,783,316)	(₱3,846,092)	(₱18,583,969)	₱-	(₱319,213,377)
Unallocated depreciation and amortization					(14,197)
	(₱296,783,316)	(₱3,846,092)	(₱18,583,969)	₱-	(₱319,227,574)
Impairment loss	₱-	₱-	₱-	₱-	₱-
Other non-cash items	(₱194,686,039)	(₱28,007,645)	(₱24,259,978)	₱-	(₱246,953,662)
Unallocated non-cash items					932,010,796
	(₱194,686,039)	(₱28,007,645)	(₱24,259,978)	₱-	₱685,057,134

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

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

5. Cash and Cash Equivalents

This account consists of the following:

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)
Cash on hand and in banks	₱914,163,888	₱259,974,540	₱69,332,977
Cash equivalents	5,757,085,105	10,960,922,617	2,798,786,130
	₱6,671,248,993	₱11,220,897,157	₱2,868,119,107

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

6. Trade and Other Receivables

This account consists of the following:

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)
Trade	₱ 5,355,303,987	₱5,316,014,965	₱ 3,306,947,305
Others:			
Non-trade accounts receivable	80,065,118	77,268,776	53,211,426
Loans and notes receivables	64,968,364	67,573,603	74,231,075
Advances to employees	32,241,451	20,826,816	22,362,211
Employee receivables	19,518,233	14,998,506	13,905,400
Claims receivable	114,257,437	161,218	163,372
Total other receivables	311,050,603	180,828,919	163,873,484
	5,666,354,590	5,496,843,884	3,470,820,789
Less allowance for doubtful accounts	25,788,749	9,597,882	12,690,817
	₱5,640,565,841	₱5,487,246,002	₱3,458,129,972

Trade receivables are noninterest-bearing and are generally collectible in 30 to 60 days.

Majority of the Company's trade receivables are collectible from NPC. All revenues from sale of steam and majority of the revenues from sale of electricity were derived from NPC.

7. Parts and Supplies Inventories

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)
On hand:			
Drilling tubular products and equipment spares	₱664,151,976	₱632,635,671	₱651,694,519
Power plant spares	342,846,588	381,569,716	304,446,254
Pump, production/steam gathering system, steam turbine, valves and valve spares	227,725,234	145,216,747	209,743,392
Chemical, chemical products, gases and catalyst	179,008,662	129,029,458	122,181,406
Heavy equipment spares	55,576,262	54,416,254	52,580,332
Electrical, cable, wire product and compressor spares	48,686,201	41,117,775	39,214,048
Measuring instruments, indicators and tools, safety equipment and supplies	27,871,753	34,303,528	28,957,069
Automotive, mechanical, bearing, seals, v-belt, gasket, tires and batteries	26,836,572	22,592,966	25,969,891
Construction and hardware supplies, stationeries and office supplies, hoses, communication and other spares and supplies	16,292,250	11,411,417	6,736,485

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)
Materials and supplies for disposal (at net realizable value in March 2010 and December 2009; at cost in March 2009)	—	—	1,367,135
	1,588,995,498	1,452,293,532	1,442,890,531
In transit	145,142,007	101,509,955	118,692,870
	₱1,734,137,505	₱1,553,803,487	₱1,561,583,401

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

8. Noncurrent Assets Held for Sale

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)
Land	₱-	₱-	₱-
Buildings, improvements and equipment	₱-	₱-	₱541,842,000
	₱-	₱-	₱541,842,000

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

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

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

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

9. Property, Plant and Equipment

June 30, 2010 (Unaudited)											
	Power Plants	FCRS and Production Wells	Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Laboratory Equipment	Land	Major Spares and Others	Construction in Progress	Total
Cost:											
Balance at January 1, 2010	₱35,191,229,893	₱14,407,980,612	₱4,538,078,209	₱3,652,656,063	₱77,778,578	₱418,525,551	₱420,446,221	₱333,082,705	₱86,852,124	₱3,449,685,161	₱62,576,315,117
Additions	–	–	253,872,335	195,592,828	4,698,847	22,159,920	26,206,445	565,097	2,383,679	1,166,274,067	1,671,753,218
Retirements/Write-off	–	–	(9,600)	(843,215)	(3,726,467)	(6,819,633)	(269,886)	–	304,566	–	(11,364,235)
Reclassifications	(129)	–	1,655,900,460	(106,358,454)	(1,959,903)	2,620,213	207,536,159	–	(2,179,105)	(1,760,234,777)	(4,675,536)
Balance at June 30, 2010	35,191,229,764	14,407,980,612	6,447,841,404	3,741,047,222	76,791,055	436,486,051	653,918,939	333,647,802	87,361,264	2,855,724,451	64,232,028,564
Accumulated depreciation and impairment:											
Balance at January 1, 2010	429,218,860	326,670,521	601,372,567	1,046,773,307	56,213,112	178,822,767	60,057,192	–	–	–	2,699,128,326
Depreciation for the period	930,178,202	298,613,778	154,673,528	147,572,083	2,918,584	31,256,430	36,711,318	–	–	–	1,601,923,923
Retirements/Write-off	–	–	(9,599)	(438,815)	(3,726,462)	(4,730,560)	(269,875)	–	–	–	(9,175,311)
Reclassifications	–	–	50,030	12,542,661	1,130,238	53,953	2,898	–	–	–	13,779,780
Balance at June 30, 2010	1,359,397,062	625,284,299	756,086,526	1,206,449,236	56,535,472	205,402,590	96,501,533	–	–	–	4,305,656,718
Net book value	₱33,831,832,702	₱13,782,696,313	₱5,691,754,878	₱2,534,597,986	₱ 20,255,583	₱231,083,461	₱557,417,406	₱333,647,802	₱87,361,264	₱2,855,724,451	₱59,926,371,846
December 31, 2009 (Audited)											
	Power Plants	FCRS and Production Wells	Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Laboratory Equipment	Land	Major Spares and Others	Construction in Progress	Total
Cost:											
Balance at January 1, 2009	₱–	₱–	₱3,856,663,035	₱1,198,403,584	₱72,844,529	₱208,031,987	₱58,900,151	₱332,797,023	₱21,088,394	₱1,073,721,431	₱6,822,450,134
Acquisition through business combination	9,156,164,393	–	314,961,938	144,127,759	–	45,000	229,963,077	–	–	320,120,490	10,165,382,657
Additions	–	–	74,855,254	1,273,742,920	700,000	26,082,652	25,671,715	285,682	33,297,159	1,786,700,368	3,221,335,750
Retirements/Write-off	–	–	(324,237,384)	(1,590,259)	(3,927,300)	(5,284,918)	–	–	(13,861)	–	(335,053,722)
Reclassifications	–	–	(8,664,749)	201,513,627	1,057,740	(1,712,361)	(97,299)	–	32,480,432	(206,810,143)	17,767,247
Impact of conversion of GSCs to GRESCs	26,035,065,500	14,407,980,612	624,500,115	836,458,432	7,103,609	191,363,191	106,008,577	–	–	475,953,015	42,684,433,051
Balance at December 31, 2009	35,191,229,893	14,407,980,612	4,538,078,209	3,652,656,063	77,778,578	418,525,551	420,446,221	333,082,705	86,852,124	3,449,685,161	62,576,315,117
Accumulated depreciation and impairment:											
Balance at January 1, 2009	–	–	444,527,765	856,086,805	51,248,444	145,019,664	45,417,915	–	–	–	1,542,300,593
Depreciation for the year	307,351,455	99,537,926	207,384,264	203,508,319	7,581,791	27,738,911	14,618,815	–	–	–	867,721,481
Impairment – NNGPF	121,867,405	227,132,595	–	–	–	–	–	–	–	–	349,000,000
Retirements/Write-off	–	–	(50,662,092)	(1,590,250)	(3,927,292)	(5,206,754)	–	–	–	–	(61,386,388)
Reclassifications	–	–	122,630	(11,231,567)	1,310,169	11,270,946	20,462	–	–	–	1,492,640
Balance at December 31, 2009	429,218,860	326,670,521	601,372,567	1,046,773,307	56,213,112	178,822,767	60,057,192	–	–	–	2,699,128,326
Net book value	₱34,762,011,033	₱14,081,310,091	₱3,936,705,642	₱2,605,882,756	₱21,565,466	₱239,702,784	₱360,389,029	₱333,082,705	₱86,852,124	₱3,449,685,161	₱59,877,186,791

June 30, 2009

	Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Laboratory Equipment	Land	Construction in-Progress	Major Spares and Others	Total
Cost:									
Balance at January 1, 2009	P3,856,663,035	P1,198,403,584	P72,844,529	P208,031,987	P58,900,151	P332,797,023	P1,073,721,431	P21,088,394	P6,822,450,134
Additions	8,551,139	239,311,048	1,105,239	5,339,320	1,878,286	119,146	157,830,815	60,322,923	474,457,916
Retirements	-	(1,331,859)	(3,927,299)	(2,894,321)	-	-	-	17,178	(8,136,301)
Balance – June 30, 2009	3,865,214,174	1,436,382,773	70,022,469	210,476,986	60,778,437	332,916,169	1,231,552,246	81,428,495	7,288,771,749
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
Additions	97,502,137	60,347,822	5,288,851	9,924,232	2,211,181	-	-	-	175,274,223
Retirements	-	(1,331,855)	(3,927,292)	(2,877,150)	-	-	-	-	(8,136,297)
Balance – June 30, 2009	542,029,902	915,102,772	52,610,003	152,066,746	47,629,096	-	-	-	1,709,438,519
Net book value	P3,323,184,272	P521,280,001	P17,412,466	P58,410,240	P13,149,341	P332,916,169	P1,231,552,246	P81,428,495	P5,579,333,230

The Company is engaging third party experts to perform parallel independent assessments of the Northern Negros steam resource development plan and long-term viability and sustainability of the Northern Negros Geothermal Project's steam field.

The studies are expected to be completed in the second half of 2010.

Details of depreciation and amortization charges are shown below:

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)
Property, plant and equipment	P1,601,923,923	P867,721,481	P175,274,223
Intangible assets	48,095,578	331,106,126	189,044,559
Depreciation and amortization	P1,650,019,501	P1,198,827,607	P364,318,782
Operating expenses	P1,566,642,098	P1,149,495,181	P297,537,305
General and administrative	83,377,403	49,332,426	66,781,477
Depreciation	P1,650,019,501	P1,198,827,607	P364,318,782

10. Intangible Assets

June 30, 2010 (Unaudited)				
	Intangible Assets Arising from Service Concessions	Water Rights	Goodwill	Total
Cost:				
Balance at January 1, 2010	P-	P2,404,778,918	P293,316,082	P2,698,095,000
Additions	-	-	-	-
Balance at June 30, 2010	-	2,404,778,918	293,316,082	P2,698,095,000
Accumulated amortization:				
Balance at January 1, 2010	-	300,597,365	-	300,597,365
Amortization	-	48,095,578	-	48,095,578
Balance at June 30, 2010	-	348,692,943	-	348,692,943
Net book value	P-	P 2,056,085,975	P293,316,082	2,349,402,057
December 31, 2009 (Audited)				
	Intangible Assets Arising from Service Concessions	Water Rights	Goodwill	Total
Cost:				
Balance at January 1, 2009	P9,835,385,122	P2,404,778,918	P293,316,082	P12,533,480,122
Additions	541,458,209	-	-	541,458,209
Reversal arising from conversion of GSCs to GRESCs	(10,376,843,331)	-	-	(10,376,843,331)
Balance at December 31, 2009	-	2,404,778,918	293,316,082	2,698,095,000
Accumulated amortization:				
Balance at January 1, 2009	446,192,031	204,406,208	-	650,598,239
Amortization	234,914,969	96,191,157	-	331,106,126
Reversal arising from conversion of GSCs to GRESCs	(681,107,000)	-	-	(681,107,000)
Balance at December 31, 2009	-	300,597,365	-	300,597,365
Net book value	P-	P2,104,181,553	P293,316,082	P2,397,497,635
June 30, 2009 (Unaudited)				
	Intangible Assets Arising from Service Concessions	Water Rights	Goodwill	Total
Cost:				
Balance at January 1, 2009, as previously reported	P9,835,385,122	P2,404,778,918	P293,316,082	P12,533,480,122
Additions	449,019,866	-	-	449,019,866
Balance at June 30, 2009	10,284,404,988	2,404,778,918	293,316,082	12,982,499,988
Accumulated amortization:				
Balance at January 1, 2009, as previously reported	446,192,031	204,406,208	-	650,598,239
Amortization	140,948,981	48,095,578	-	189,044,559
Balance at June 30, 2009	587,141,012	252,501,786	-	839,642,798
Net book value	P9,697,263,976	P2,152,277,132	P293,316,082	P12,142,857,190

11. Other Noncurrent Assets

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)
Long-term receivables	P547,954,443	P2,444,082,251	P2,421,476,878
Input VAT	833,801,651	657,733,453	315,755,216
Prepaid expenses	1,372,984,796	58,530,604	1,141,692
Special deposits and funds	48,814,036	48,361,874	31,977,926
Others	68,632,470	101,340,545	27,756,179
	2,872,187,396	3,310,048,727	2,798,107,891
Less allowance for doubtful accounts	60,085,237	1,954,488,539	1,981,960,619
	P2,812,102,159	P1,355,560,188	P816,147,272

Long-term receivables

The composition of long-term receivables is as follows:

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)
Claims for VAT refund	P24,427,221	P2,408,505,632	P1,894,719,994
NPC accounts and other receivables	523,527,222	35,576,619	526,756,884
	P547,954,443	P2,444,082,251	P2,421,476,878

12. Trade and Other Payables

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)
Accounts payable - trade	P2,775,056,719	P2,832,923,865	P 1,904,107,354
Accrued interest and guarantee fees	908,401,582	923,147,531	618,809,709
Withholding and other taxes payable	113,458,277	194,692,777	72,222,376
Deferred credits	101,588,847	15,012,705	15,672,308
SSS and other contributions payable	3,033,497	8,768,580	7,597,475
Other payables	191,409,082	10,507,987	63,271,078
	P4,092,948,004	P3,985,053,445	P2,681,680,300

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

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

13. Royalty Fee Payable

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)
Due to DOE and LGU	₱708,807,965	₱811,004,709	₱1,353,250,468
Less current portion	302,911,397	244,306,963	555,263,561
Noncurrent portion	₱405,896,568	₱566,697,746	₱797,986,907

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

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

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

14. Long-term Debt

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)
Total Dollar-denominated debt	₱7,877,811,635	₱4,929,853,232	₱5,868,686,063
Total Japanese Yen-denominated debt	4,918,466,211	17,788,935,791	18,115,783,850
Total Peso-denominated debt	29,446,614,662	24,745,709,368	4,023,366,527
	42,242,892,508	47,464,498,391	28,007,836,440
Current portion	(1,354,681,567)	(16,930,776,636)	(13,349,920,929)
Long-term portion	₱40,888,210,941	₱30,533,721,755	₱14,657,915,511

The Company's foreign-currency denominated long-term debts were translated into Philippine pesos based on the prevailing foreign exchange rates at the date of the unaudited interim consolidated statement of financial position (USD1=JPY89.381: USD1=PHP46.370 on June 30, 2010, USD1=JPY91.634: USD1=PHP46.200 on December 31, 2009 and USD1=JPY96.006: USD1=PHP48.130 on June 30, 2009).

15. Energy Conversion Agreement

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

16. Equity

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

The Parent Company had 686 common stockholders and one preferred stockholder as of June 30, 31, 2010, 662 common stockholders and one preferred stockholder as of December 31, 2009 and 635 common stockholders and one preferred stockholder as of June 30, 2009.

The movements of common and preferred shares are as follows:

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

17. Purchased Services and Utilities

	June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
Professional and technical services	₱424,719,046	₱507,697,812
BOT fees	-	187,261,257
Hauling and handling costs	82,125,769	94,309,567
Purchased services	135,124,779	104,436,928
Contractual personnel costs	77,797,902	18,989,109
Rig mobilization charges	28,339,774	15,763,119
Purchased utilities	7,013,598	4,364,159
Others	6,645,424	4,905,412
	₱761,766,292	₱937,727,363

18. Operations and Maintenance Expenses

	June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
Repairs and maintenance	P648,956,710	P1,338,882,392
Personnel costs	858,786,490	701,110,013
Materials and supplies issued	323,385,154	461,298,829
Rental, insurance and taxes	453,035,504	474,203,741
Royalty fees	104,632,328	256,501,998
Business and related expenses	78,215,401	67,407,641
Proceeds from insurance claims	(128,648,394)	-
Provision for impairment of materials and supplies	(149,570)	-
	P2,338,213,623	P3,299,404,614

19. General and Administrative Expenses

	June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
Personnel costs	P569,364,595	P460,201,721
Rental, insurance and taxes	589,322,080	163,721,642
Purchased services and utilities	553,374,496	449,591,673
Business and related expenses	114,193,185	204,959,698
Materials and supplies issued	78,791,125	77,800,005
Repairs and maintenance	37,620,800	38,881,497
Provision for doubtful accounts	16,267,362	24,437,098
Provision for unrecoverable input tax	-	101,087,366
Provision for impairment of materials and supplies	12,715,820	60,408,101
Reduction in allowance for doubtful accounts	(1,638,885,544)	(2,589,297)
	P332,763,919	P1,578,499,504

20. Foreign Exchange Gains (Losses)

	June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
Foreign exchange gains (losses) on long-term loans	(P219,044,433)	P1,141,236,793
Foreign exchange losses on other accounts	(90,658,071)	5,261,004
	(P309,702,504)	P1,146,497,797

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

Currency	Equivalent to US\$1.00		
	June 30, 2010	December 31, 2009	June 30, 2009
Japanese Yen	89.381	91.634	96.006
Philippine Peso	46.370	46.200	48.130

21. Interest Expense

	June 30, 2010	June 30,
	(Unaudited)	2009 (Unaudited)
Interest on long-term debt including amortization of transaction costs	₱1,758,101,762	₱1,085,202,895
Interest accretion of “Day 1” gain	28,424,793	37,002,134
Interest on loan payable	192,439	84,001,919
	1,786,718,994	1,206,206,948
Amounts included in the cost of qualifying assets	(1,538,422)	-
	₱1,785,180,572	₱1,206,206,948

22. Interest Income

	June 30, 2010	June 30,
	(Unaudited)	2009 (Unaudited)
Interest on placements	₱211,160,366	₱154,781,016
Interest on overdue accounts/others	6,878,376	5,317,262
Accretion of “day 1 loss” on NPC receivable/day 1 gain on royalty payable	6,007,914	208,725,956
Interest on savings/current accounts	275,393	454,822
	₱224,322,049	₱369,279,056

23. Miscellaneous Income (Charges)

	June 30, 2010	June 30,
	(Unaudited)	2009 (Unaudited)
Gain on sale of surplus assets and obsolete materials inventory	(₱6,312,368)	₱2,494,322
Loss on sale of noncurrent assets held for sale	(286,115)	(26,598,677)
Others	(1,728,727)	(94,417,172)
Write-down of exploration and evaluation assets	-	(70,516,612)
Impairment loss on AFS investments	-	(3,328,033)
Power plant materials inventory turned over by contractor	-	53,992,600
Waste disposal fee	-	9,992,510
	(₱8,327,210)	₱128,381,062

24. Revenue from Arbitration Award

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

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

Tranche	Settlement Amount	Payment Term	Actual Date of Settlement
First	₱500.00 million	30 days from submission of JMU to the Office of the Voluntary Arbitrator	July 15, 2008
Second	500.00 million	60 days from submission of JMU to 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	Pending collection as of June 30, 2010
	<u>₱2,894.93 million</u>		

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

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

25. Earnings Per Share (EPS)

The EPS amounts were computed as follows:

	June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
(a) Net income attributable to equity shareholders of the parent	₱5,223,915,783	₱2,594,515,798
Less dividends on preferred shares	7,500,000	6,000,000
(b) Net income attributable to common shareholders of the parent	₱5,216,415,783	₱2,588,515,798
(c) Weighted average numbers of shares for EPS	18,750,000,000	14,907,000,000
Basic/diluted EPS (b/c)	₱0.278	₱0.174

The Company does not have dilutive common stock equivalents.

26. Income Tax

The components of income tax expense are as follows:

	June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
Current tax	₱259,857,709	₱1,436,215,104
Deferred tax	500,399,629	14,974,162
	₱760,257,338	₱1,451,189,266

27. Related Party Transactions

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

The following are the transactions that the Company had with related parties for the periods ended June 30, 2010 and 2009.

a. First Balfour, Inc. (First Balfour)

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

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

As of June 30, 2010, the outstanding balance of ₱17.2 million was recorded under “Due to related parties” account which pertained to accrual of progress billings and the 10% retention.

First Balfour is a wholly owned subsidiary of First Holdings.

b. First Gen

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

In 2009 and 2008, FG Hydro availed of unsecured, interest-bearing and US dollar-denominated cash advances from First Gen. Said advances are due and demandable and bear interest of 5.29%. FG Hydro has settled the total amount of ₱495.11 million advances from First Gen in April and June 2010. The outstanding balance as of June 30, 2010 included in the “Due to related parties” account amounted to ₱10.10 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 Parent Company. On January 7, 2009, the Parent Company opted to draw the loan in peso and received the proceeds amounting to ₱4,048.75 million, net of ₱51.25 million front-end fee. As of June 30, 2010, the outstanding loan amounted to ₱4,030.47 million, net of unamortized transaction cost of ₱69.53 million and included under the “Long-term debts” account.

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

d. Other Related Parties

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

Bauang Private Power Corporation is a subsidiary of First Private Power Corporation, an associate of First Gen. First Gas Holdings Corporation and First Gas Power Corporation are subsidiaries of First Gen. First Philippine Holdings Corporation, parent company of First Gen, is an associate of Benpres Holding Corporation.

Bayan Telecommunications Inc. (Bayantel) is a 97% owned by Bayantel Holdings which Lopez Holdings Corp. (formerly Benpres Holdings Corp.) has 67% ownership.

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

Related Party	Nature of Transaction	Transactions for the period ended June 30		Net amount Due from (to) Related Parties		
		2010	2009	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)
First Gen	Interest-bearing advances (payment)	(₱495,110,934)	₱27,593,254	(₱10,103,324)	(₱504,135,656)	(₱91,069,099)
	Consultancy fee	83,294,118	89,354,118	(27,911,082)	–	(9,900,831)
	Interest-free advances	3,922,499	–	–	(2,709,905)	–
First Balfour, Inc.	Steam augmentation contract in Leyte	42,964,455	113,460,326	(17,233,726)	(29,438,812)	28,390,025
Bauang Private Power Corporation	Interest-free advances (payment)	5,551,950	(150,286)	(5,551,970)	–	–
First Gas Holdings Corporation	Interest-free advances	272,900	246,900	(847,000)	(574,100)	(329,200)
IFC	Interest-bearing loans	–	4,170,132,778	(4,170,132,778)	(4,170,132,778)	(4,170,132,778)
First Gas Power Corporation	Interest-free advances	3,305	38,541	(44,229)	(150,677)	(38,541)
Benpres Holdings Corporation	Interest-free advances	26,400	–	–	–	–
Bayantel	Purchase services & utilities	2,277,278	–	(1,423,159)	–	–

Related Party	Nature of Transaction	Transactions for the period ended June 30		Net amount Due from (to) Related Parties		
		2010	2009	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)
Red Vulcan	Interest-free advances (payment)	(11,059)	-	-	(11,059)	-
		(P356,809,088)	P4,400,675,631	(P4,233,247,268)	(P4,707,152,987)	(P4,243,080,424)

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 June 30, 2010 and 2009 and December 31, 2009.

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

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

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

Except for the availment of a 3-year US\$175 million syndicated term loan, settlement of Miyazawa II and PNOG on-lent loans as discussed in Note 31, there are no other assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the current period.

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

There are no significant changes in estimates of amounts during the current period as well as in the comparative period in 2009.

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

The Company signed a 3-year US\$175 million syndicated term loan facility with ANZ (Australia and New Zealand Banking Group Limited) Manila Branch, Credit Agricole Corporate and Investment Bank, and Standard Chartered Bank as Mandated Lead Arrangers and Bookrunners.

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

In May 2010, the Company settled the PNOG on-lent loans of ₱4.2 billion.

32. Dividend Declarations

Cash Dividends

On March 25, 2010, the BOD of the Parent Company approved the following cash dividends in favor of all stockholders of record as of April 13, 2010 and payable on or before April 30, 2010:

- cash dividend of ₱0.0008 per share on the preferred shares
- regular cash dividend of ₱0.12 per share on the common shares

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

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

Stock dividends

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

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

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

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

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

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

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

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

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

36. Financial Risk Management Objectives and Policies

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

Risk Management Strategy

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

Financial Risk Management Policy

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

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 receivables and deferred royalty fee, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	June 30, 2010	December 31, 2009	June 30, 2009
Loans and receivables:			
Cash and cash equivalents (excludes cash on hand)	₱6,666,648,952	₱11,216,297,117	₱2,863,579,067
Trade receivables – net	5,329,515,238	5,306,417,083	3,294,256,489
Non-trade receivables	80,065,118	77,268,776	53,211,424
Loans and notes receivables	64,968,364	67,573,603	74,231,075
Employee receivables	38,476,416	14,998,506	13,905,400
Advances to employees	32,241,451	20,826,816	22,362,211
Long-term receivables – net	–	–	39,025,614
Concession receivable	–	–	33,671,442,382
Royalty fee chargeable to NPC	1,529,568	–	129,072,924
Due from related parties	–	–	28,390,025
AFS investments:			
Debt investments	747,994,934	734,811,000	735,111,149
Equity investments	17,601,049	15,388,428	14,157,766

Financial assets at FVPL:

Derivative assets	39,894	9,611,022	25,150,735
	P12,979,080,984	P17,463,192,351	P40,963,896,261

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 June 30, 2010 and 2009 and December 31, 2009:

June 30, 2010							
Past Due but Not Impaired							
	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	P6,671,249	P-	P-	P-	P-	P-	P6,671,249
Trade receivables	4,297,931	275	1,022,841	8,468	-	25,789	5,355,304
Non-trade receivables	63,014	-	3,306	12,820	925	-	80,065
Loans and notes receivables	64,968	-	-	-	-	-	64,968
Employee receivables	38,476	-	-	-	-	-	38,476
Advances to employees	5,625	-	11,555	15,061	-	-	32,241
Long-term receivables	-	-	-	-	-	33,928	33,928
Royalty Fee Chargeable to NPC	1,530	-	-	-	-	-	1,530
Due from related parties	-	-	-	-	-	-	0
AFS investments:							
Debt investments	747,995	-	-	-	-	-	747,995
Equity investments	17,601	-	-	-	-	-	17,601
Financial assets at FVPL:							
Derivative assets	40	-	-	-	-	-	40
Total	P11,908,429	P275	P1,037,702	P36,349	P925	P59,717	P13,043,397

December 31, 2009							
Past Due but Not Impaired							
	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	P11,220,897	P-	P-	P-	P-	P-	P11,220,897
Trade receivables	5,280,994	-	25,423	-	-	9,598	5,316,015
Non-trade receivables	59,803	5,050	12,223	193	-	-	77,269
Loans and notes receivables	49,196	11	7,009	10,393	965	-	67,574
Employee receivables	14,999	-	-	-	-	-	14,999
Advances to employees	14,722	197	1,130	4,768	10	-	20,827
Long-term receivables	-	-	-	-	-	35,577	35,577
AFS investments:							
Debt investments	734,811	-	-	-	-	-	734,811
Equity investments	15,388	-	-	-	-	-	15,388
Financial assets at FVPL:							
Derivative assets	9,611	-	-	-	-	-	9,611
Total	P17,400,421	P5,258	P45,785	P15,354	P975	P45,175	P17,512,968

June 30, 2009							
	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>							
Loans and receivables:							
Cash and cash equivalents	₱2,868,119	₱-	₱-	₱-	₱-	₱-	₱2,868,119
Trade receivables	2,940,557	51,635	288,285	-	-	16,872	3,297,349
Non-trade receivables	47,368	1,117	4,474	197	56	-	53,212
Loans and notes receivables	65,580	190	3,893	551	4,017	-	74,231
Employee receivables	13,814	-	82	10	-	-	13,906
Advances to employees	13,136	3,422	4,423	1,380	1	-	22,362
Long-term receivables	-	-	-	-	-	102,075	102,075
Concession receivable	33,671,442	-	-	-	-	-	33,671,442
Due from related parties	28,390	-	-	-	-	-	28,390
Royalty fee chargeable to NPC	129,073	-	-	-	-	-	129,073
AFS investments:							
Debt investments	735,111	-	-	-	-	-	735,111
Equity investments	14,158	-	-	-	-	-	14,158
Financial assets at FVPL:							
Derivative assets	25,151	-	-	-	-	-	25,151
Total	₱40,551,899	₱56,364	₱301,157	₱2,138	₱4,074	₱118,947	₱41,034,579

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 June 30, 2010 and 2009 and December 31, 2009, financial assets categorized as neither past due nor impaired are viewed by management as high grade, considering the collectability of the receivables and the credit history of the counterparties. Financial assets that are classified as past due but not impaired are considered as standard grade since based on management's assessment as of June 30, 2010 there is an assured collection on these accounts, thus no provision for doubtful accounts has been recognized thereof.

Foreign Currency Risk

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

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

To mitigate further the effects of foreign currency risk, the Company will prepay, refinance or hedge its foreign currency denominated loans, whenever deemed feasible. During the year 2010, the Company entered into derivative contracts with various counterparties which already matured on June 24, 2010 to hedge its various foreign currency denominated loans.

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

	June 30, 2010			June 30, 2009			
	Original Currency		Peso Equivalent ¹	Original Currency			Peso Equivalent ²
	Japanese Yen	US Dollar		Japanese Yen	SEK	US Dollar	
Financial Assets							
Loans and receivables:							
Cash equivalents	-	16,704,494	774,587,378	-	-	775,371	37,318,623
Cash on hand and in banks	-	4,048,892	187,747,131	-	-	625,161	30,089,016
Trade and other receivables	-	4,990,494	231,409,215	-	-	2,700,129	129,957,210
AFS investments -							
Government debt securities	-	16,131,010	747,994,934	-	-	13,586,123	735,111,149
Financial assets at FVPL:							
Derivative assets	-	860	39,894	-	-	522,558	25,150,735
Total financial assets	-	41,875,750	1,941,778,552	-	-	18,209,342	957,626,733
Current Financial Liabilities							
Liabilities at amortized cost:							
Trade and other payables	-	2,428,779	112,622,464	466,159,072	9,442,605	3,368,193	538,025,672
Accrued interest and guarantee fees	460,369,571	1,561,485	311,241,356				
Current portion of interest-bearing financial liabilities	1,015,379,660	-	526,769,166	23,850,430,460		31,489,385	13,349,920,929
Due to related parties	-	218,017	10,109,427			1,892,148	91,069,099
Total current financial liabilities	1,475,749,231	4,208,280	960,742,413	24,316,589,532	9,442,605	36,749,726	13,979,015,700
Noncurrent Financial Liabilities							
Liabilities at amortized cost:							
Interest-bearing financial liabilities - net of current portion	8,465,314,539	169,890,266	12,269,535,102	12,285,587,825	-	90,463,164	14,566,883,946
Total noncurrent financial liabilities	8,465,314,539	169,890,266	12,269,535,102	12,285,587,825	-	90,463,164	14,566,883,946
Total financial liabilities	9,941,063,770	174,098,546	13,230,277,515	36,602,177,357	9,442,605	127,212,890	28,545,899,646

¹USD1=JPY89.3810 and USD1= ₱46.37 ²USD1=JPY96.006 and USD1= ₱48.13

	December 31, 2009		
	Original Currency		Peso Equivalent ¹
	Yen	US Dollar	
Financial Assets			
Loans and receivables:			
Cash equivalents	-	35,882,643	1,657,778,096
Cash on hand and in banks	-	2,176,322	100,546,084
Trade and other receivables	-	4,946,733	228,539,071
Cash collateral on PCIR Bonds	-	-	-
AFS investments:			
Government debt securities	-	15,905,000	734,811,000
Financial assets at FVPL:			
Derivative assets	-	208,031	9,611,022
Total financial assets	-	59,118,729	2,731,285,273
Current Financial Liabilities			
Liabilities at amortized cost:			
Trade and other payables	2,153,900	3,195,225	148,705,325
Current portion of interest-bearing financial liabilities	26,309,860,127	65,759,866	16,303,002,458
Current portion of obligations to a power plant contractor	-	-	-
Due to related Party	-	10,912,094	504,138,756
Interest on long term loans	500,091,989	3,510,193	414,307,135
Financial liabilities at FVPL:			
Derivative liabilities	-	-	-
Total current financial liabilities	26,812,106,016	83,377,378	17,370,153,674
Noncurrent Financial Liabilities			
Liabilities at amortized cost:			
Interest-bearing financial liabilities - net of current portion	8,973,004,364	40,946,914	6,415,753,795
Total noncurrent financial liabilities	8,973,004,364	40,946,914	6,415,753,795
Total financial liabilities	35,785,110,380	124,324,292	23,785,907,469

¹USD1=JPY91.634 and USD1= ₱46.20 as of December 29, 2009

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 June 30, 2010 and 2009 (arising from revaluation of monetary assets and liabilities and derivative instruments).

June 30, 2010		
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax
USD	10% or PHP4.637 (10% or PHP4.637)	(P614,611,922) 613,747,216
JPY	10% or PHP0.05764 (10% or PHP0.04716)	(573,036,436) 468,847,993
EURO ^(a)	10% against USD (10% against USD)	904,305 (39,599)
December 31, 2009		
	Foreign Currency Appreciates (Depreciates) By	Effect on Profit Before Tax
USD	10% or PHP4.62 (10% or PHP4.62)	(P293,611,227) 268,296,414
JPY	10% or PHP0.05602 (10% or PHP0.04583)	(2,004,680,577) 1,640,193,199
EURO ^(a)	10% against USD (10% against USD)	33,122,515 (7,807,701)
June 30, 2009		
	Foreign Currency Appreciates (Depreciates) By	Effect on Profit Before Tax
USD	10% or PHP4.813 (10% or PHP4.813)	(P509,124,906) 462,688,019
JPY	10% or PHP0.05570 (10% or PHP0.04557)	(2,038,834,143) 1,668,137,026
SEK	10% or PHP0.69669 (10% or PHP0.57002)	(6,578,541) 5,382,443
EURO ^(a)	10% against USD (10% against USD)	64,461,122 (18,024,235)

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

Equity Price Risk

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

As of June 30, 2010 and 2009 and December 31, 2009, the Company's exposure to equity price risk is minimal.

Interest Rate Risk

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

The interest rates of some of the Company's long-term borrowings, 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 June 30, 2010 and 2009. The effect also includes impact of change in interest rates on derivatives.

June 30, 2010			
	Increase/Decrease in Basis Points	Effect on Income Before Income Tax	Effect on Equity
USD	+100	(P40,566,595)	(P18,234,977)
	-100	40,567,600	30,699,260
JPY	+100	-	-
	-100	-	-
EURO	+100	(6,302)	-
	-100	7,369	-
December 31, 2009			
	Increase/Decrease in Basis Points	Effect on Profit Before Tax	Effect on Equity
USD	+100	(P23,935,811)	(P19,438,385)
	-100	24,897,799	33,746,396
JPY	+100	-	-
	-100	-	-
EURO	+100	(574,657)	-
	-100	1,552,248	-

June 30, 2009

	Increase/Decrease in Basis Points	Effect on Profit Before Tax	Effect on Equity
PHP	+100	(P46,222,222)	P-
	-100	46,222,222	-
USD	+100	(26,267,866)	(28,335,425)
	-100	26,391,749	29,379,069
EURO	+100	(2,315,241)	-
	-100	4,807,808	-

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	More than 4 Years but less than 5 Years	More than 5 Years	Total
June 30, 2010						
<i>In Thousand Pesos</i>						
Fixed Rate						
Long-term debt:						
OECF	3%-5.7%	P35,181	P13,630	P10,672	P22,848	P82,331
JBIC ^(b) 21 st yen	2.3% / 2.7%	118,696	216,437	187,794	532,023	1,054,950
IFC	7.40%/7.90%	322,419	596,862	499,908	981,520	2,400,709
PNB & Allied	9.025%	454,233	1,189,727	318,069	813,472	2,775,501
FCRN Series 1	8.37%	212,327	321,360	103,294	-	636,981
FCRN Series 2	9.4%	443,209	801,663	517,336	142,713	1,904,921
FCRN Series 3	8.43%	122,845	185,928	59,763	-	368,536
Public Bonds Series 1	8.64%	734,553	1,469,106	1,469,106	-	3,672,765
Public Bonds Series 2	9.33%	326,645	653,289	653,289	489,967	2,123,190
June 30, 2010						
Floating Rate						
Long-term debt:						
USD 175M Syndicated Club Loan	3.25% + Libor	324,554	649,109	-	-	973,663

	Interest Rates	Within 1 Year	More than 1 year but less than 4 years	4-5 Years	More than 5 Years	Total
December 31, 2009						
<i>In Pesos</i>						
Fixed Rate						
Long-term debt:						
OECF	3%-5.7%	P60,537	P16,188	P10,869	P24,610	P112,204
JEXIM(a) 3747	3.5%	30,638	-	-	-	30,638
JBIC(b) 21 st yen	2.3% & 2.7%	118,769	217,173	189,337	559,727	1,085,006
Miyazawa II	2.37%	131,441	-	-	-	131,441
PSALM Loan	12.00%	272,195	352,421	64,096	-	688,712
IFC	7.40%	307,614	609,644	525,472	1,096,559	2,539,289
FRCN Series 1	8.37%	223,804	361,530	166,418	-	751,752
FRCN Series 2	9.4%	454,721	841,998	600,586	237,856	2,135,161
FRCN Series 3	8.43%	108,089	209,169	96,284	-	413,542
Public Bonds						
Series 1	8.64%	734,553	1,469,106	1,469,106	367,277	4,040,042
Series 2	9.33%	326,645	653,289	653,289	653,289	2,286,512

December 31, 2009

Floating Rate

Long-term debt:

IBRD	7.54%	169,685	-	-	-	169,685
	Interest Rates	Within 1 Year	More than 1 Year but less than 4 Years	More than 4 Years but less than 5 Years	More than 5 Years	Total
<i>(In Thousand Pesos)</i>						
June 30, 2009						
Fixed Rate						
Long-term debt:						
OECF	3%–5.7%	₱68,562	₱41,267	₱11,305	₱26,989	₱148,123
JEXIM ^(a) 3747	3.5%	34,121	14,451	-	-	48,572
JBIC ^(b) 21 st yen	2.3% & 2.7%	121,547	222,845	195,166	601,424	1,140,982
Miyazawa II	2.37%	261,391	-	-	-	261,391
IFC	7.40%	307,614	616,071	551,177	1,218,657	2,693,519
PSALM Loan	12.00%	312,886	437,105	131,051	-	881,042
Short-term debt:						
BPI	7.00%	3,986	-	-	-	3,986
ING	7.00%	1,919	-	-	-	1,919
Mizuho	4.00%	262	-	-	-	262
June 30, 2009						
Floating Rate						
Long-term debt:						
IBRD	7.39%	218,112	72,304	-	-	290,416
Short-term debt:						
LBP	7.10%	37,078	-	-	-	37,078

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 June 30, 2010 and 2009 and December 31, 2009.

	June 30, 2010						
	On demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousands)</i>							
AFS Investments:							
Debt investments	₱747,995	₱-	₱-	₱-	₱-	₱-	₱747,995
Loans and receivables:							
Cash equivalents	-	5,757,085	-	-	-	-	5,757,085
Total	₱747,995	₱5,757,085	₱-	₱-	₱-	₱-	₱6,505,080

December 31, 2009							
	On demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousands)</i>							
AFS Investments:							
Debt investments	P734,811	P-	P-	P-	P-	P-	P734,811
Loans and receivables:							
Cash equivalents	-	2,792,341	2,536,712	5,631,870	-	-	10,960,923
Total	P734,811	P2,792,341	P2,536,712	P5,631,870	P-	P-	P11,695,734

June 30, 2009							
	On demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousands)</i>							
AFS Investments:							
Debt investments	P735,111	P-	P-	P-	P-	P-	P735,111
Loans and receivables:							
Cash equivalents	-	2,798,786	-	-	-	-	2,798,786
Total	P735,111	P2,798,786	P-	P-	P-	P-	P3,533,897

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

June 30, 2010							
	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years	Total
<i>(In Thousands)</i>							
Liabilities at amortized cost:							
Accounts payable - trade	P-	P2,388,033	P-	P-	P-	P-	P2,388,033
Accrued interest and guarantee fees	268,071	420,056	220,274	-	-	-	908,401
Other current liabilities	-	103,810	-	-	-	-	103,810
Due to related parties	63,114	-	-	-	-	-	63,114
Royalty fee payable	-	87,500	87,500	175,000	524,428	-	874,428
Long-term debt	-	804,524	1,145,257	5,096,195	40,155,433	10,956,308	58,157,717
Total	P331,185	P3,803,923	P1,453,031	P5,271,195	P40,679,861	P10,956,308	P62,495,503

December 31, 2009							
	On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
<i>(In Thousands)</i>							
Liabilities at amortized cost:							
Accounts payable - trade	P-	P2,202,141	P-	P-	P-	P-	P2,202,141
Accrued interest and guarantee fees	252,201	462,241	208,706	-	-	-	923,148
Other current liabilities	-	10,508	-	-	-	-	10,508
Due to related parties	537,020	-	-	-	-	-	537,020
Royalty fee payable	-	87,500	87,500	175,000	693,011	-	1,043,011
Long-term debt	-	1,224,743	13,059,012	5,697,286	30,299,838	12,004,016	62,284,895
Total	P789,221	P3,987,133	P13,355,218	P5,872,286	P30,992,849	P12,004,016	P67,000,723

June 30, 2009							
	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years	Total
<i>(In Thousands)</i>							
Liabilities at amortized cost:							
Accounts payable - trade	P-	P1,594,845	P-	P-	P-	P-	P1,594,845
Accrued interest and guarantee fees	-	465,991	45,997	-	-	-	511,988
Other current liabilities	-	7,153	-	-	-	-	7,153

June 30, 2009

	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	M11,754,150 re than 5 Years	Total
Loan payable		977,004	2,037,078	-			3,014,082
Due to related parties	-	101,338	-	-	-	-	101,338
Royalty fee payable	-	164,492	142,930	147,431	908,492	-	1,363,345
Long-term debt	-	514,411	1,544,778	13,051,677	11,111,930	7,570,915	33,793,711
Total	P-	P3,825,234	P3,770,783	P13,199,108	P12,020,422	P7,570,915	P40,386,462

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).

	June 30, 2010	Level 1	Level 2	Level 3	At Cost
Financial assets at FVPL-					
derivative assets	P39,894	P-	P39,894	P-	P-
AFS investments:					
Debt investments	747,994,934	747,994,934	-	-	-
Equity investments	17,601,049	17,526,499	-	-	74,550

	December 31, 2009	Level 1	Level 2	Level 3	At Cost
Financial assets at FVPL-					
derivative assets	P9,611,022	P-	P9,611,022	P-	P-
AFS investments:					
Debt investments	734,811,000	734,811,000	-	-	-
Equity investments	15,388,428	15,295,010	-	-	93,418

	June 30, 2009	Level 1	Level 2	Level 3	At Cost
Financial assets at FVPL-					
derivative assets	P25,150,735	P-	P25,150,735	P-	P-
AFS investments:					
Debt investments	735,111,149	735,111,149	-	-	-
Equity investments	14,157,766	14,157,766	-	-	-

During the three month period ended June 30, 2010, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Financial Assets and Financial Liabilities

Set out below is a comparison of carrying amounts and fair values of the Company's financial instruments as of June 30, 2010 and 2009 and December 31, 2009.

	June 30, 2010		June 30, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱6,671,248,992	₱6,671,248,992	₱2,868,119,107	₱2,868,119,107
Trade receivables	5,329,515,238	5,329,515,238	3,294,256,489	3,294,256,489
Non-trade receivables	80,065,118	80,065,118	53,211,424	53,211,424
Loans and notes receivables	64,968,364	64,968,364	74,231,075	74,231,075
Employee receivables	38,476,416	38,476,416	13,905,400	13,905,400
Advances to employees	32,241,451	32,241,451	22,362,211	22,362,211
Long-term receivables	–	–	39,025,614	35,144,318
Concession receivable	–	–	33,671,442,382	30,148,775,155
Cash collateral on PCIR Bonds	–	–	–	–
Royalty fee chargeable to NPC	1,529,568	1,529,568	129,072,924	129,072,924
Due from related parties	–	–	28,390,025	28,390,025
AFS investments:				
Debt investments	₱747,994,934	₱747,994,934	735,111,149	735,111,149
Equity investments	17,601,049	17,601,049	14,157,766	14,157,766
Financial assets at FVPL -				
Derivative assets	39,894	39,894	25,150,735	25,150,735
	₱12,983,681,024	₱12,983,681,024	₱40,968,436,301	₱37,441,887,778

Financial Liabilities

Financial liabilities at amortized cost:				
Accounts payable - trade	₱2,388,032,560	₱2,388,032,560	₱1,594,845,234	₱1,594,845,234
Accrued interest and guarantee fees	908,401,582	908,401,582	511,987,927	511,987,927
Other current liabilities	103,809,909	103,809,909	7,153,424	7,153,424
Loan payable	–	–	2,970,837,000	2,970,837,000
Due to related parties	63,114,490	63,114,490	101,337,671	101,337,671
Royalty fee payable	708,807,965	727,415,164	1,353,250,468	1,377,566,679
Long-term debt	42,242,892,508	48,250,734,167	28,130,623,318	29,829,114,675
	₱46,415,059,014	₱52,441,507,872	₱34,670,035,042	₱36,392,842,610

December 31, 2009

	Carrying Amount	Fair Value
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	₱11,220,897,157	₱ 11,220,897,157
Trade receivables – net	5,306,417,083	5,306,417,083
Non-trade receivables	77,268,776	77,268,776
Loans and notes receivables	₱67,573,603	₱67,573,603
Employee receivables	14,998,506	14,998,506
Advances to employees	20,826,816	20,826,816
AFS investments:		
Debt investments	734,811,000	734,811,000
Equity investments	15,388,428	15,388,428
Financial assets at FVPL:		
Derivative assets	9,611,022	9,611,022
	₱17,467,792,391	₱17,467,792,391

Financial Liabilities

Financial liabilities at amortized cost:		
Accounts payable – trade	₱2,202,140,914	₱2,202,140,914
Accrued interest and guarantee fees	923,147,531	923,147,531
Accrued premium on range bonus forwards	–	–
Other current liabilities	10,507,987	10,507,987

December 31, 2009		
	Carrying Amount	Fair Value
Loan payable	-	-
Due to related parties	537,020,209	537,020,209
Royalty fee payable	811,004,709	836,317,273
Long-term debt	47,464,498,391	52,538,678,773
	₱51,948,319,741	₱57,047,812,687

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

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

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

Long-term Receivables. The fair value of long-term receivables was computed by discounting the expected cash flow using the applicable rate of 5.30% in June 30, 2009 (nil in June 30, 2010 and December 31, 2009).

Concession Receivable. The fair value of concession receivables is computed by discounting the expected free cash flows using the applicable rates as of consolidated statement of financial position dates ranging from 4.57% to 9.66% in June 30, 2009 (nil in June 30, 2010 and December 31, 2009).

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

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

Long-term Debt and Royalty Fee Payable. The fair values for the Parent Company's long-term debt are estimated using the discounted cash flow methodology with the applicable rates ranging from 0.16% to 9.44%, 0.19% to 5.93% and 0.64% to 2.38% in June 30, 2010, December 31, 2009 and June 30, 2009, respectively. On the other hand, the fair value of the newly acquired peso loan of FG Hydro is discounted using discount rates ranging from 4.27% to 7.00% in June 30, 2010 and the fair value of deferred payment facility with PSALM was computed by discounting the facility's expected future cash flows using the prevailing credit adjusted Philippine Government Zero Coupon Yield interest rates ranging from 4.19% to 6.17% and 4.46% to 6.17% in December 31, 2009 and June 30, 2008, respectively (nil in June 30, 2010).

Fair values of royalty fee payable are determined using discount rates ranging from 4.12% to 4.88%, from 4.54% to 5.64% and from 4.13% to 4.62% as of the June 30, 2010, December 31, 2009 and June 30, 2009, respectively.

The Company classifies its financial instruments in the following categories.

June 30, 2010

	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	₱6,671,249	₱-	₱-	₱-	₱-	₱6,671,249
Trade receivables	5,329,515	-	-	-	-	5,329,515
Non-trade receivables	80,065	-	-	-	-	80,065
Loans and notes receivables	64,968	-	-	-	-	64,968
Employee receivables	38,476	-	-	-	-	38,476
Advances to employees	32,242	-	-	-	-	32,242
Royalty Fee Chargeable to NPC	1,530	-	-	-	-	1,530
AFS - debt investments	-	747,995	-	-	-	747,995
AFS - equity investments	-	17,601	-	-	-	17,601
Financial Liabilities						
Accounts payable – trade	-	-	-	2,388,033	-	2,388,033
Accrued interest and guarantee fees	-	-	-	908,402	-	908,402
Other current liabilities	-	-	-	103,810	-	103,810
Due to related parties	-	-	-	63,114	-	63,114
Royalty fee payable	-	-	-	708,808	-	708,808
Long-term debt	-	-	-	42,242,893	-	42,242,893
Total	₱12,218,045	₱765,596	₱-	₱46,415,060	₱-	₱59,398,701

December 31, 2009

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

June 30, 2009						
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	₱2,868,119	₱-	₱-	₱-	₱-	₱2,868,119
Trade receivables	3,294,257	-	-	-	-	3,294,257
Non-trade receivables	53,212	-	-	-	-	53,212
Loans and notes receivables	74,231	-	-	-	-	74,231
Employee receivables	13,905	-	-	-	-	13,905
Advances to employees	22,362	-	-	-	-	22,362
Long-term receivables	39,026	-	-	-	-	39,026
Concession receivable	33,671,442	-	-	-	-	33,671,442
Royalty fee chargeable to NPC	129,073	-	-	-	-	129,073
Due from related parties	28,390	-	-	-	-	28,390
AFS - debt investments	-	735,111	-	-	-	735,111
AFS - equity investments	-	14,158	-	-	-	14,158
Derivative Assets	-	-	25,151	-	-	25,151
Financial Liabilities						
Accounts payable – trade	-	-	-	1,594,845	-	1,594,845
Accrued interest and guarantee fees	-	-	-	511,988	-	511,988
Other current liabilities	-	-	-	7,153	-	7,153
Loan payable	-	-	-	2,970,837	-	2,970,837
Due to related parties	-	-	-	101,338	-	101,338
Royalty fee payable	-	-	-	1,353,251	-	1,353,251
Long-term debt	-	-	-	28,130,623	-	28,130,623
Total	₱40,194,017	₱749,269	₱25,151	₱34,670,035	₱-	₱75,638,472

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

	June 30, 2010		June 30, 2009	
	Increase (Decrease) Effect on Profit or Loss	Increase (Decrease) Effect on Equity	Increase (Decrease) Effect on Profit or Loss	Increase (Decrease) Effect on Equity
Loans and receivables:				
Interest income on cash in bank	₱3,898,791	₱-	₱570,503	₱-
Interest income on cash equivalents	213,854,886	-	157,946,064	-
Interest income on trade receivables	6,007,914	-	41,033,448	-
Interest income on concession receivables	-	-	1,011,159,300	-
Interest on employees receivable	163,422	-	-	-
Interest Income due from related party	-	-	-	-
Equity investments - Net gain (loss) recognized in equity	-	2,191,654	-	3,889,160
Debt investments: Net gain (loss) recognized in equity	-	10,337,310	-	51,828,993
Interest Income on ROP Bonds	438,905	-	-	-
Financial assets at FVPL:				
Fair value changes and premium on forward contracts	446,597,342	-	(175,648,625)	-
Unrealized gain (loss) on fair value changes on currency options	(9,568,714)	-	(10,186,498)	-
Financial liabilities at amortized cost:				
Interest expense on long-term loans	(1,712,768,746)	-	(958,186,091)	-
Interest expense on short-term loans	(43,987,033)	-	(84,001,919)	-
Interest expense on royalty payable	(28,428,575)	-	(37,002,134)	-
“Day 1” gain on royalty payable	-	-	168,284,986	-
	(₱1,123,791,808)	₱12,528,964	₱113,969,034	₱55,718,153

Capital Management

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

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

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

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

	June 30, 2010	December 31, 2009	June 30, 2009
Long-term liabilities	₱42,242,892,508	₱47,464,498,391	₱28,130,623,318
Equity	33,583,396,694	30,331,861,805	29,976,067,407
Debt ratio	55.7%	61.0%	48.4%

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 June 30, 2010 and 2009 and December 31, 2009.

	June 30, 2010		December 31, 2009	June 30, 2009	
	Derivative Assets	Derivative Liabilities	Derivative Asset	Derivative Assets	Derivative Liabilities
Embedded derivatives -					
Currency options	₱39,894	₱-	₱9,611,022	₱25,150,735	₱-
Free standing derivatives					
Range bonus forwards	-	-	-	-	-
Currency forwards	-	-	-	-	-
Total derivatives	₱39,894	₱-	₱9,611,022	₱25,150,735	₱-
Presented as:					
Current	₱-	₱-	₱-	₱-	₱-
Noncurrent	39,894	-	9,611,022	25,150,735	-
Total derivatives	₱39,894	₱-	₱9,611,022	₱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. During the year 2010, 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 June 30, 2010, the Company has no outstanding derivatives due to the termination of its derivative contracts with counterparty banks on June 24, 2010.

Foreign Currency Forward 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 instituted a total of sixteen (16) foreign currency forward contracts during the year which all matured on June 24, 2010. These contracts which include two (2) non-deliverable buy yen sell dollar, thirteen (13) deliverable buy yen and sell dollar and a buy dollar sell peso forward contracts, have a notional amounts and average rates of ¥3,107 million and ¥93.5, ¥ 22,261 million and ¥ 93.39 and \$12.0 million and ₱46.29, respectively. The total net realized gain recognized relative to these forward contracts is ₱446.57 million, with ₱12.47 million and ₱434.10 million attributable to non-deliverable and deliverable contracts, respectively.

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

Currency Options. The Company has embedded currency options in its Pantabangan Refurbishment and Upgrade Project Contract with VA TECH HYDRO, GmbH Contractor. Under the PRUP Contract, the Company has the option to pay the Contractor in European Euro (Euro) or in U.S. Dollar at a strike rate of €1.4691 to \$1.00 for the original contract and €1.5549 to \$1.00 for the contract options availed during the year. As of June 30, 2010, the embedded currency options have a notional amount of €6.0 million. The embedded currency options will mature on various dates until December 2010 or upon full payment and completion of the related host contract.

Fair Value Changes of Derivatives

The tables below summarize the net movement in fair values of the Company's derivatives as of June 30, 2010 and 2009 and December 31, 2008.

Freestanding Derivatives

	June 30, 2010		December 31, 2009		June 30, 2009	
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability
Range Bonus Forward						
Balance at beginning of year	₱-	₱-	₱614,081,623	₱-	₱614,081,623	₱-
Net changes in fair value			(78,318,622)	-	(78,318,622)	-
Settlement	-	-	(535,763,001)	-	(535,763,001)	-
Balance at end of period	₱-	₱-	₱-	₱-	₱-	₱-
Currency Forwards						
Balance at beginning of year	₱-	₱-	₱-	₱(54,250,018)	₱-	₱(54,250,018)
Net changes in fair value	437,006,749	(2,880,000)	68,344,713	(78,909,982)	68,344,713	(78,909,982)
Settlement	(437,006,749)	2,880,000	(68,344,713)	133,160,000	(68,344,713)	133,160,000
Balance at end of period	₱-	₱-	₱-	₱-	₱-	₱-
Total	₱-	₱-	₱-	₱-	₱-	₱-

Embedded Derivatives

Derivative Assets	June 30, 2010	December 31, 2009	June 30, 2009
Balance at beginning of year	₱9,611,022	₱34,907,195	₱34,907,195
Net changes in fair value of derivatives	(9,568,714)	(23,161,134)	(10,186,498)
Fair value of settled derivatives	-	(1,800,163)	-
Foreign exchange difference	(2,414)	(334,876)	430,038
Balance at end of year	₱39,894	₱9,611,022	₱25,150,735

The net changes in fair value of the Company's derivative during the periods ending June 30, 2010 and 2009 amounting to ₱437.0 million gain and ₱185.8 million loss respectively, were taken into "Derivatives gain (loss)" account in the consolidated statements of income, inclusive of premium on range bonus forwards recognized during the periods ending June 30, 2009 of ₱86.8 million (nil in 2010).

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

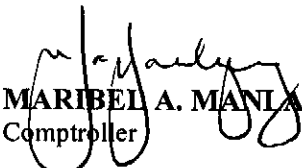
Aging of Accounts Receivable

	Amount
Trade Receivables	
Current	4,284.2
More than 90 days past due	-
More than 120 days past due	1,071.2
Subtotal	5,355.4
Other Receivables	311.0
Total Receivables	5,666.4
Allowance for Doubtful Accounts	(25.8)
Trade and Other Receivables – Net	5,640.6

Breakdown of Liabilities

	2010	2009
A. Current Liabilities		
Loan Payable	-	2,970.8
Accounts Payable	2,775.2	1,904.1
Accrued Interest and Other Payables	1,317.8	777.8
Income Tax Payable	52.9	724.7
Due to Related Parties	63.1	101.3
Total	4,209.0	6,478.7
B. Noncurrent Liabilities		
Royalty Fee Payable		
Current	302.9	555.2
Noncurrent	405.9	798.0
Long-term Debt		
Current	1,354.7	13,349.9
Noncurrent	40,823.8	14,657.9
Retirement Benefit Obligation and Other Noncurrent Liabilities	1,714.9	1,374.1
Total	44,602.2	30,735.1
Total Liabilities	48,811.2	37,213.8

Certified true and Correct


MARIBEL A. MANLAPAZ
 Comptroller


AGNES C. DE JESUS
 Senior Vice President