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August 12, 2011

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

Dear Ms. Encarnacion:

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

Very truly yours,

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

Erudito S. Recio
Investor Relations Manager &
Corporate Information Officer

SEC Number 66381
File Number _____

ENERGY DEVELOPMENT CORPORATION
(Company's full Name)

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

(632) 667-7332
(Telephone Number)

June 30, 2011
(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, 2011
2. Commission identification number: 66381
3. BIR Tax Identification No. 000-169-125-000
4. Exact name of issuer as specified in its charter: ENERGY DEVELOPMENT CORPORATION
5. PHILIPPINES
Province, country or other jurisdiction of
Incorporation or organization
6. (SEC Use Only)
Industry Classification Code
7. Merritt Road, Fort Bonifacio, Taguig City
Address of issuer's principal office
- Postal Code 12010
8. (632) 667-7332
Issuer's telephone number, including area code:
9. Energy Development Corporation
Former name, former address and former fiscal year, if changed since last report:

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

<u>Title of each Class</u>	<u>Number of shares outstanding as of March 31, 2011</u>
Common Stock, P1.00 par value	18,750,000,000
Preferred Stock, P0.01 par value	9,375,000,000

11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []

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

Philippine Stock Exchange

Common Stock

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

PART 1 FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (“MD & A”)

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

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

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

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

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

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OVERVIEW OF OUR BUSINESS

Principal Products or Services

As of June 30, 2011, the Company operates twelve geothermal steam fields in the five geothermal service contract areas where it is principally involved in:

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

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

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

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

Percentage of sales or revenues contributed by foreign sales

The Company generated ₱326.7 million from the contract it entered into with Lihir Gold Limited (LGL) in Papua, New Guinea. This represents 2.8% of the Company's ₱11,735.5 million gross revenues for the second quarter of 2011. The Company's contract with LGL was extended up to June 30, 2011.

Distribution methods of products or services

About 66.8% of the 3,438.3 GWh sales volume from its electricity business was sold to NPC. Electricity production of about 171.1 GWh, i.e., pertaining to electricity generated by the hydro power plants of FG Hydro, was sold to the WESM and its distribution utility clients comprised of electric cooperatives in the province of Nueva Ecija while 970.5 GWh generated by Tongonan I, Palinpinon I and II and No. Negros was sold to electric cooperatives and industrial customers in the Visayas region. The Company's total sales volume comprised of 3,267.3 GWh coming from electricity production in Leyte, Mindanao, No. Negros, Tongonan I and Palinpinon geothermal power plants; and 171.1 GWh sold from hydro power plant operations in Pantabangan, Nueva Ecija.

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

FG Hydro generated 171.1 GWh of electricity as of second quarter of 2011, of which 69% or 118.8 GWh, was consumed by its contracted customers and 31% or 52.3 GWh was sold to the Wholesale Electricity Spot Market (WESM).

Competition

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

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

On May 5, 2010, BGI submitted the highest offer price for BGPP in a competitive bidding conducted by PSALM and remitted the full payment of the BGPP acquisition on September 3, 2010. Furthermore, the supply of steam is location-specific, such that each power plant can only source its fuel from a dedicated nearby steam field.

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

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

Close to 57.4% of the Company's total revenues are derived from existing long-term Power Purchase Agreements (PPAs) with NPC.

Concessions and government share payments

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

- Tongonan Geothermal Project (expiring in 2034)
- Southern Negros Geothermal Project (expiring in 2031)
- Bacon-Manito Geothermal Project (expiring in 2031)
- Mt. Apo Geothermal Project (expiring in 2042)
- Northern Negros Geothermal Project (expiring in 2044)

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

Geothermal Resource

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

Wind Resource

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

KEY PERFORMANCE INDICATORS

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

Ratio	June – 11	June – 10
Current Ratio	2.22:1	2.76:1
Debt-to-Equity Ratio	1.84:1	1.26:1
Net Debt-to-Equity Ratio	1.43:1	1.06:1
Return on Assets (%)	(4.24)	8.45
	5.56*	8.45
Return on Equity (%)	(11.75)	19.98
	14.20*	19.98

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

Current Ratio – Total current assets divided by total current liabilities

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

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

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

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

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

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

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

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

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

OPERATING REVENUES AND EXPENSES

FINANCIAL HIGHLIGHTS

The recurring net income generated in the first semester of 2011 decreased by 57.8% or ₱2,744.5 million to ₱2,007.7 million from the ₱4,752.2 million posted during the same period in 2010. This was mainly due to the decrease in revenues from FG Hydro's electricity sales and absence of steam sales (₱1,286.1 million) and the higher operating expenses mainly attributed to higher operations and maintenance (₱1,126.9 million).

Net income (loss) is equivalent to (19.6%) of total revenues in 2011 as compared to the 43.1% in the same period in 2010.

Net income decreased by 140.8% or ₱7,924.0 million to a net loss of ₱2,296.9 million as of June 2011 from ₱5,627.1 million during the same period in 2010.

Factors contributing to these were the following:

- decline in revenues mainly due to lower electricity sales volume and unit price for FG Hydro, and the forgone steam sales following the acquisition of the Bacman power plants in September 2010 (₱1,286.1 million);
- higher operating expenses due to increased operations and maintenance expenses accounted for primarily by the provision for full impairment of Northern Negros Geothermal Project (NNGP) assets and increases in general and administrative expenses, purchased services and utilities, and depreciation and amortization charges for the period (₱5,723.2 million);
- lower other income primarily contributed by the absence in 2011 of the reduction in allowance for doubtful account on input VAT claims from the BIR recognized in 2010 (₱1,517.6 million); and
- higher financial expenses-net due to increase in outstanding borrowings and lower interest income (₱536.1 million).

Cash and cash equivalents increased by 77.0% or ₱4,742.5 million to ₱10,900.4 million as of June 30, 2011 from the ₱6,157.9 million December 31, 2010 balance.

The increase was mainly accounted for by the ₱13,350.0 million proceeds from US\$300 million loan.

These were mainly offset by the following:

- ₱4,505.1 million prepayment of OECF 21st loan, ₱228.9 million prepayment of OECF 9th and 19th yen and ₱348.9 million settlement of regular long-term debt servicing; and
- ₱3,341.3 million payment of cash dividends.

RESULTS OF OPERATIONS

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

INCOME STATEMENT

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

(Amounts in PHP millions)	June 2011	June 2010	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Amount	%	2011	2010
					Favorable (Unfavorable) Variance	
Sale of electricity	11,408.8	11,741.4	(332.6)	-2.8%	97.2%	90.2%
Sale of steam	-	886.0	(886.0)	-100.0%	0.0%	6.8%
Drilling services	326.7	394.2	(67.5)	-17.1%	2.8%	3.0%
TOTAL REVENUES	11,735.5	13,021.6	(1,286.1)	-9.9%	100.0%	100.0%
Operations and maintenance	(7,552.3)	(2,338.2)	(5,214.1)	223.0%	-64.4%	-18.0%
Purchased services and utilities	(1,047.3)	(761.8)	(285.5)	37.5%	-8.9%	-5.9%
General and administrative	(2,066.9)	(1,971.6)	(95.3)	4.8%	-17.6%	-15.1%
Depreciation and amortization	(1,816.0)	(1,687.7)	(128.3)	7.6%	-15.5%	-13.0%
Total Operating Expenses	(12,482.5)	(6,759.3)	(5,723.2)	84.7%	-106.4%	-52.0%
Interest income	217.9	224.3	(6.4)	-2.9%	1.9%	1.7%
Interest expense	(2,314.9)	(1,785.2)	(529.7)	29.7%	-19.7%	-13.7%
Total Financial Income (Expenses)	(2,097.0)	(1,560.9)	(536.1)	34.3%	-17.8%	-12.0%
Foreign exchange gains (losses), net	236.8	(309.7)	546.5	-176.5%	2.0%	-2.4%
Derivatives gain (loss), net	(9.0)	437.0	(446.0)	-102.1%	-0.1%	3.4%
Miscellaneous, net	12.5	1,630.6	(1,618.1)	-99.2%	0.1%	12.5%
Total Other Income (Expenses)	240.3	1,757.9	(1,517.6)	-86.3%	2.0%	13.5%
INCOME BEFORE INCOME TAX	(2,603.7)	6,459.3	(9,063.0)	-140.3%	-22.2%	49.5%
Benefit from (provision for) Income Tax						
Current	(247.1)	(259.9)	12.8	-4.9%	-2.1%	-2.0%
Deferred						
Others	553.9	(572.3)	1,126.2	-196.8%	4.7%	-4.4%
	306.8	(832.2)	1,139.0	-136.9%	2.6%	-6.4%
NET INCOME (LOSS)	(2,296.9)	5,627.1	(7,924.0)	-140.8%	-19.6%	43.1%
Attributable to:						
Equity holders of the Parent Company	(2,331.1)	5,114.3	(7,445.4)	-145.6%	-19.9%	39.3%
Minority Interests	34.2	512.8	(478.6)	-93.3%	0.3%	3.9%
EBITDA	6,442.2	7,978.8	(1,536.6)	-19.3%	54.9%	61.3%
Recurring Net Income	2,007.7	4,752.2	(2,744.5)	-57.8%	17.1%	36.5%
Attributable to:						
Equity holders of the Parent Company	1,973.2	4,276.7	(2,303.5)	-53.9%	16.8%	32.8%
Minority Interests	34.6	475.5	(440.9)	-92.7%	0.3%	3.7%

YTD June 30, 2011 vs. YTD June 30, 2010

Revenues

Revenues for the period ended June 30, 2011 decreased by 9.9% to ₱11,735.5 million from ₱13,021.6 million registered during the same period in 2010. The ₱1,286.1 million decline in

revenues is mainly due to lower electricity sales volume and unit price for FG Hydro, and the forgone steam sales following the acquisition of the Bacman power plants in September 2010.

Revenue from Sale of Electricity

Revenue from sale of electricity decreased by 2.8% or ₱332.6 million to ₱11,408.8 million as of June 2011 from ₱11,741.4 million posted during the same period in 2010 on account of the following:

- FG Hydro's decrease in average tariff by ₱2.5660/KWh mainly due to lower WESM prices, and volume by 101.9 MWh due to lower irrigation diversion requirements (IDR) from the National Irrigation Administration (NIA) (₱1,094.7 million).
- Unified Leyte and Mindanao I and II plants' decrease in average prices by ₱0.0654/KWh due to lower inflation indices following the appreciation of PHP against the US\$ (₱9.9 million);

Partially offset by GCGI's increase in sales by ₱752.2 million on account of higher average tariff by ₱0.5355/KWh and volume by 72.5 MWh.

Revenue from Sale of Steam

Revenue from sale of steam decreased 100% in the first half of 2011 from ₱886.0 million during the same period in 2010 following the acquisition of the Bacman power plants in September 2010.

Revenue from Drilling Services

Revenue from drilling services decreased by ₱67.5 million, or 17.1%, to ₱326.7 million in the first half of 2011 from ₱394.2 million during the same period in 2010. The unfavorable variance was attributed to the following:

- Lower drilling revenue days by 23 days due to the maintenance and repair of Rig 11 while none in 2010 coupled with the absence in 2011 of the US\$450.0 thousand additional revenue pertaining to the continuing cost of the contract recognized in April 2010 (total revenues: YTD June 2011 = US\$7.5 million vs. YTD June 2010 = US\$8.6 million)
- Lower average exchange rate by ₱2.362/US\$1 (YTD June 2011 = ₱43.488/US\$1 vs. YTD June 2010 = ₱45.850/US\$1) due to the appreciation of peso against the US dollar

Operating Expenses

Operating expenses increased by 84.7% or ₱5,723.2 million to ₱12,482.5 million as of June 2011 from ₱6,759.3 million level during the same period in 2010.

The increase was attributed to the Company's higher operations and maintenance (₱5,214.1 million), general and administrative expenses (₱95.3 million), purchased services and utilities (₱285.5 million) and depreciation and amortization (₱128.3 million).

Operations and Maintenance

Operations and maintenance expenses increased by 223.0% or ₱5,214.1 million to ₱7,552.3 million in the first semester of 2011 from ₱2,338.2 million during the same period in 2010 mainly on account of the provision for full impairment of Northern Negros Geothermal Project (NNGP) assets (₱4,998.6 million).

General and Administrative

General and administrative expenses increased by 4.8% or ₱95.3 million to ₱2,066.9 million in the first semester of 2011 from ₱1,971.6 million during the same period in 2010 on account of higher provision of allowance for doubtful accounts on overdue trade account receivables.

Purchased Services and Utilities

Purchased services and utilities increased by 37.5% or ₱285.5 million to ₱1,047.3 million in the first semester of 2011 from ₱761.8 million during the same period in 2010 due to the engagement of a drilling services provider starting March 2011 following the closure of the Well Construction Group effective close of business on February 28, 2011 (₱158.1 million) and higher service costs for civil work activities relative to the maintenance of steam field facilities with the bulk contributed by Bacman and Leyte (₱72.4 million).

Depreciation and Amortization

Depreciation and amortization increased by 7.6% or ₱128.3 million to ₱1,816.0 million in the first semester of 2011 from ₱1,687.7 million during the same period in 2010 mainly contributed by the depreciation of various newly acquired assets.

Financial Income (Expenses)

Financial expenses-net increased by 34.3% or ₱536.1 million to ₱2,097.0 million in the first semester of 2011 from ₱1,560.9 million during the same period in 2010 due to the increase in outstanding borrowings and lower interest income.

Interest Income – net

Interest income (net of final tax) decreased by 2.9% or ₱6.4 million to ₱217.9 million as of June 2011 from ₱224.3 million during the same period in 2010. The unfavorable variance was mainly contributed by lower interest rate on dollar placements as compared to peso placements in 2010. The proceeds of the US\$300.0 million notes constitute bulk of the investible funds for 2011.

Interest Expense

Interest expense increased by 29.7% or ₱529.7 million to ₱2,314.9 million as of June 2011 from ₱1,785.2 million during the same period in 2010. The unfavorable variance was mainly on account of the US\$300.0 million Bond and US\$175.0 million syndicated term loan facility issued/acquired in January 2011 and June 2010, respectively.

Other Income (Charges)

Other income–net decreased by 86.3%, or ₱1,517.6 million to ₱240.3 million as of June 2011 from ₱1,757.9 million during the same period in 2010. The unfavorable variance was primarily contributed by reduction in allowance for doubtful account on input VAT claims from the BIR recognized in 2010 with the receipt of Tax Credit Certificates (TCC) in April 2010 and June 2010.

Foreign Exchange Gain - net

The foreign exchange gains - net decreased by 176.5%, or ₱546.5 million, to ₱236.8 million foreign gains as of June 2011 from the ₱309.7 million foreign losses during the same period in 2010. The bulk of the foreign exchange gains in 2011 came from the unrealized foreign exchange gains on realignment of US dollar bonds with the appreciation of peso against the US dollar. On the other hand, the foreign exchange losses in 2010 were mainly caused by the combined effect of the depreciation of peso and appreciation of yen all against the US dollar.

The yen-denominated long-term loans were significantly reduced due to the full settlement of ₱11,043.7 million Miyazawa II loan, ₱4,212.2 million PNOC relent loans and settlement of ₱1,132.3 million maturing principal on JBIC loans all in June 2010 including the 2011 full settlements of ₱4,505.1 million JBIC 21st Yen loan balance (in April 2011) and ₱228.9 million combined balance of JBIC 9th Yen and 19th loans (in June 2011).

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

	JPY:US\$	PHP:US\$
December 31, 2009	91.634	46.200
June 30, 2010	89.381	46.370
December 31, 2010	81.659	43.840

	JPY:US\$	PHP:US\$
June 30, 2011	80.743	43.330

Derivatives Gain (Loss), net

Derivatives gain/loss - net decreased by ₱446.0 million to derivative loss of ₱9.0 million in the first semester of 2011 from a derivative gain of ₱437.0 million during the same period in 2010. The 2011 derivative loss-net pertained to various swap transactions for US dollar and Japanese yen currencies entered into with various banks in 2011 while the 2010 derivative gain-net consisted of realized gain on forward currency contract with various banks for Japanese Yen to be used for the full settlement of Miyazawa 2 Yen loan in June 2010 and PNOC relent loans in May 2010.

Miscellaneous Income – net

Miscellaneous income - net decreased by ₱1,618.1 million, or 99.2%, to ₱12.5 million in the first semester of 2011 from ₱1,630.6 million during the same period in 2010. The unfavorable variance was primarily contributed by the absence in 2011 of the reduction in allowance for doubtful account on input VAT claims from the BIR recognized in 2010 upon the receipt of TCC in April 2010 and June 2010 (₱1,638.9 million).

Provision for (Benefit from) Income Tax

Current tax expense decreased by 4.9% or ₱12.8 million to ₱247.1 million as of June 2011 from ₱259.9 million during the same period in 2010. The favorable variance was mainly due to lower taxable income on steam and electricity operations caused by lower revenues due to the shortfall in Unified Leyte and the absence of Bacman's steam revenue for 2011.

Deferred income tax decreased by 196.8% or ₱1,126.2 million. The favorable variance was primarily contributed by the following:

- deferred tax asset in 2011 from the provision for full impairment of NNGP assets while none in 2010 (₱499.9 million),
- one-time write-off in 2010 of deferred tax asset on amortized foreign exchange losses on long-term foreign loans previously covered by PD 1442 (₱340.3 million) and
- absence in 2011 of the reversal in 2010 of allowance for doubtful accounts on input VAT due the receipt of TCC from the BIR (₱163.9 million).

Net Income (Loss)

Net income decreased by 140.8% or ₱7,924.0 million to a net loss of ₱2,296.9 million as of June 2011 from a net income of ₱5,627.1 million during the same period in 2010.

Factors contributing to these were the following:

- higher operating expenses mainly attributed to the provision in 2011 for full impairment of NNGP assets (₱5,723.2 million);
- lower miscellaneous income primarily due to the absence in 2011 of the reversal of allowance for doubtful accounts on input VAT claim from the BIR recognized in 2010 due to the receipt of TCC in April 2010 and June 2010 (₱1,618.1 million);
- decreased revenues mainly due to lower electricity sales volume and unit price for FG Hydro, and the forgone steam sales following the acquisition of the Bacman power plants in September 2010. (₱1,286.1 million);
- Increase in financial expenses-net (₱536.1 million); and
- Derivative losses of ₱9.0 million in the first half of 2011 versus ₱437.0 million derivative gains during the same period in 2010 (₱446.0 million).

These were cushioned by the following:

- benefit from income tax of ₱306.8 million in the first half of 2011 versus ₱832.2 million provision for income tax during the same period in 2010 mainly caused by the recognition of deferred tax asset on provision for full impairment of NNGP assets coupled with the write-off in 2010 of deferred tax asset on unrealized foreign exchange losses which became realized upon full settlement of long-term foreign loans in 2010 (₱1,139.0 million); and
- foreign exchange gains of ₱236.8 million in the first half of 2011 against the foreign exchange losses of ₱309.7 million during the same period in 2010 (₱546.5 million).

Net loss in the first half of 2011 is equivalent to 19.6% of the total revenues while the net income during the same period in 2010 is equivalent to 43.1% of the total revenues.

CAPITAL AND LIQUIDITY RESOURCES

As of the quarter ended (in millions of pesos)	Q2 2011	Q2 2010	YoY change
Balance Sheet Data			
Total Assets	84,122.4	82,273.6	2.2%
Total Liabilities.....	57,533.2	48,811.1	17.9%
Total Stockholder's Equity	26,589.2	33,462.5	-20.5%

The Company's assets as of June 30, 2011 amounted to ₱84,122.4 million, 2.2% higher as compared to the ₱82,273.6 million level as of June 30, 2010.

FINANCIAL POSITION

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

BALANCE SHEET

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

(Amounts In PHP millions)	June 2011	Dec. 2010	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Increase (Decrease)		2011	2010
			Amount	%		
ASSETS						
Current Assets						
Cash and cash equivalents	10,900.4	6,157.9	4,742.5	77.0%	13.0%	7.6%
Trade and other receivables	2,580.4	4,602.0	(2,021.6)	-43.9%	3.1%	5.7%
Available-for-sale (AFS) investments	685.6	707.5	(21.9)	-3.1%	0.8%	0.9%
Parts and supplies inventories	3,081.9	2,577.4	504.5	19.6%	3.7%	3.2%
Derivative assets	63.2	-	63.2	100.0%	0.1%	0.0%
Other current assets	1,251.1	733.9	517.2	70.5%	1.5%	0.9%
Total Current Assets	18,562.6	14,778.7	3,783.9	25.6%	22.1%	18.2%
Noncurrent Assets						
Property, plant and equipment	54,683.9	56,679.2	(1,995.3)	-3.5%	65.0%	69.7%
Intangible assets	4,494.9	4,543.0	(48.1)	-1.1%	5.3%	5.6%
Deferred tax assets	1,446.6	893.7	552.9	61.9%	1.7%	1.1%
Exploration and evaluation assets	1,243.9	1,170.4	73.5	6.3%	1.5%	1.4%
Other noncurrent assets	3,690.5	3,238.6	451.9	14.0%	4.4%	4.0%
Total Noncurrent Assets	65,559.8	66,524.9	(965.1)	-1.5%	77.9%	81.8%
TOTAL ASSETS	84,122.4	81,303.6	2,818.8	3.5%	100.0%	100.0%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Loan payable	-	175.0	(175.0)	-100.0%	0.0%	0.2%
Trade and other payables	5,937.9	5,123.5	814.4	15.9%	7.1%	6.3%
Income tax payable	78.2	71.2	7.0	9.8%	0.1%	0.1%
Due to related parties	184.3	335.7	(151.4)	-45.1%	0.2%	0.4%
Derivative liabilities	39.2	-	39.2	100.0%	0.0%	0.0%
Current portion of:						
Long-term debts	1,833.0	1,527.2	305.8	20.0%	2.2%	1.9%
Royalty fee payable	295.9	254.2	41.7	16.4%	0.4%	0.3%
Total Current Liabilities	8,368.5	7,486.8	881.7	11.8%	10.0%	9.2%
Noncurrent Liabilities						
Long-term debts - net of current portion	47,091.9	39,678.7	7,413.2	18.7%	56.0%	48.8%
Royalty fee payable - net of current portion	133.7	300.6	(166.9)	-55.5%	0.2%	0.4%
Retirement and other post-retirement benefits	1,370.1	1,307.1	63.0	4.8%	1.6%	1.6%
Other long-term liabilities	569.0	291.3	277.7	95.3%	0.7%	0.5%
Total Noncurrent Liabilities	49,164.7	41,577.7	7,587.0	18.2%	58.5%	51.2%
EQUITY						
Equity Attributable to Equity Holders of the Parent						
Preferred stock	93.8	93.8	-	0.0%	0.1%	0.1%
Common stock	18,750.0	18,750.0	-	0.0%	22.3%	23.1%
Common stock in employee trust account	(377.5)	(379.2)	1.7	-0.4%	-0.3%	-0.5%
Additional paid-in capital	6,265.6	6,266.1	(0.5)	0.0%	7.4%	7.7%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-4.3%	-4.6%
Accumulated unrealized gain on AFS investments	106.8	119.7	(12.9)	-10.8%	0.1%	0.1%
Retained earnings	3,985.7	9,524.6	(5,538.9)	-58.2%	4.7%	11.7%
Cumulative translation adjustment	1.4	1.4	-	0.0%	0.0%	0.0%
Total Equity	25,119.4	30,670.0	(5,550.6)	-18.1%	29.9%	37.6%
Minority Interest	1,469.8	1,569.1	(99.3)	-6.3%	1.7%	1.9%
Total Equity	26,589.2	32,239.1	(5,649.9)	-17.5%	31.6%	39.5%
TOTAL LIABILITIES AND EQUITY	84,122.4	81,303.6	2,818.8	3.5%	100.1%	100.0%

Assets

Cash and Cash Equivalents

The 77.0% or ₱4,742.5 million increase to ₱10,900.4 million as of June 30, 2011 from the ₱6,157.9 million December 31, 2010 balance was mainly due to the ₱13,350.0 million proceeds from US\$300 million loan, which was partly offset by the following:

- ₱4,505.1 million prepayment of OECF 21st loan, ₱228.9 million prepayment of OECF 9th and 19th yen and ₱348.9 million settlement of regular long-term debt servicing
- ₱3,341.3 million payment of cash dividend

Trade and Other Receivables

Trade and other receivables decreased by 43.9% or ₱2,021.6 million to ₱2,580.4 million as of June 30, 2011 from the ₱4,602.0 million balance as of December 31, 2010 due to the ₱1,034.9 million collection of the November 2010 regular billings and August 2010 inflation adjustments for Unified Leyte, ₱500.0 million adjustment on shortfall generation of Unified Leyte and additional allowance for doubtful accounts of ₱99.2 million.

Parts and Supplies Inventories

This account increased by 19.6% or ₱504.5 million to ₱3,081.9 million as of June 30, 2011 from the ₱2,577.4 million as of December 31, 2010. The increase was due to the procurement of various materials and spare parts for the power plant maintenance and rehabilitation activities.

Derivative assets

The derivative assets ₱63.2 million balance as of June 30, 2011 pertains to the fair value of the outstanding foreign currency forward and foreign exchange swap contracts.

Other Current Assets

This account increased by 70.5% or ₱517.2 million to ₱1,251.1 million as of June 30, 2011 from the ₱733.9 million balance in December 2010 primarily due to the ₱300.0 million reclassification from non-current assets of the TCC applicable for 2012. The variance is also due to GCGI's higher prepaid insurance (₱70.6 million) and creditable withholding tax certificates (₱15.3 million) and BGI's advances to contractors on purchase of services (₱48.2 million).

Deferred Tax Assets

This account went up by 61.9% or ₱552.9 million to ₱1,446.6 million as of June 30, 2011 from the ₱893.7 million balance as of December 31, 2010 mainly due to the recognition of deferred tax assets on the provision for full impairment of NNGP's asset amounting to ₱4,998.6 million.

Exploration and Evaluation Assets

This account increased by 6.3% or ₱73.5 million to ₱1,243.9 million as of June 30, 2011 from the balance of ₱1,170.4 million as of December 31, 2010 mainly due to the expenditures of Energy Burgos Wind Power Corporation for the Burgos Wind Project.

Other Noncurrent Assets

This account increased by 14.0% or ₱451.9 million to ₱3,690.5 million as of June 30, 2011 from the ₱3,238.6 million balance as of December 31, 2010 mainly due to the ₱578.8 million increase in Input VAT claims and ₱149.3 million in non-current deferred charges. These were reduced by the ₱300.0 million reclassification to other current assets of the Input VAT refund certificates applicable for 2012.

Liabilities

Loans Payable

This account decreased by 100.0% or ₱175.0 million to nil as of June 30, 2011 from the balance of ₱175.0 million as of December 31, 2010 due to the settlement of the loan.

Trade and other payables

This account increased by 15.9% or ₱814.4 million to ₱5,937.9 million as of June 30, 2011 from the ₱5,123.5 million balance as of December 31, 2010 mainly due to ₱307.3 million increase in accounts payable, ₱321.9 million increase in accrued interest on account of the US\$300 million notes issued in January 2011 and ₱178.3 million increase in deferred credits and other payables.

Income Tax payable

This account increased by 9.8% or ₱7.0 million, to ₱78.2 million as of June 30, 2011 from the ₱71.2 million balance as of December 31, 2010. The increase is due to the ₱246.4 million accrual of income tax liability partially offset by the ₱239.5 million application of the withholding tax certificates.

Due to related parties

This account decreased by 45.1% or ₱151.4 million to ₱184.3 million as of June 30, 2011 from the ₱335.7 million balance as of December 31, 2010 mainly due to partial settlement of liabilities by the Parent Company.

Derivative liability

The ₱39.2 million balance as of June 30, 2011 pertains to the fair value of the outstanding foreign currency forward and foreign exchange swap contracts with various counterparties.

Long-term debt - current portions

This account increased by 20.0% or ₱305.8 million to ₱1,833.0 million as of June 30, 2011 from ₱1,527.2 million primarily due to the ₱696.8 million reclassification from the non-current portion of long term debts. These were offset by the ₱392.9 million prepayment of OECF 9th, 19th and 21st Yen loan in 2011.

Royalty fee payable - current portion)

Royalty fee payable increased by 16.4% or ₱41.7 million, to ₱295.9 million as of June 30, 2011 from the ₱254.2 million balance at year-end 2010 mainly due to the ₱104.0 million royalty fee incurred for the period, ₱175.0 million reclassification from non-current portion of outstanding royalty fees payable in 2012 to DOE and ₱18.2 million accretion on Day 1 gain recognized in 2011. These were offset by ₱255.4 million royalty fee payment for the period.

Long-term debt - net of current portion

This account increased by 18.7% or ₱7,413.2 million to ₱47,091.9 million as of June 30, 2011 from ₱39,678.7 million mainly due to the following:

- ₱13,350.0 million proceeds from US\$300.0 million notes and
- ₱36.3 million amortization of transaction costs

These were offset by the following:

- ₱4,341.1 million settlement of the of OECF 21st Yen and 19th Yen loans;
- ₱959.8 million reclassification to the current portion of OECF, Fixed Coupon Rate Notes (FCRN) and IFC loans;
- ₱406.1 million foreign exchange gains on translation of foreign loans; and
- ₱301.3 million transaction costs on new loans secured in 2011.

Royalty fee payable - net of current portion

This account decreased by 55.5% or ₱166.9 million to ₱133.7 million as of June 30, 2011 from the ₱300.6 million balance as of December 31, 2010 mainly due to the ₱175.5 million reclassification to current portion of outstanding royalty fees payable in 2012 to DOE offset by ₱8.1 million accretion on Day 1 gain recognized in 2011.

Other Long-term liabilities

This account increased by 95.3% or ₱277.7 million to ₱569.0 million as of June 30, 2011 from ₱291.3 million balance as of December 31, 2010 due to the provision for asset retirement, which was offset by the payment of the 10 days monetized vacation leave of permanent employees and settlement of vacation and sick leave of separated employees.

Accumulated unrealized gain on AFS investments

This account decreased by 10.8% or ₱12.9 million to ₱106.8 million as of June 30, 2011 from ₱119.7 million as of December 31, 2010 mainly due to the decrease in fair value of the investments for the period.

Retained Earnings

Retained Earnings decreased by 58.2% or ₱5,538.9 million, to ₱3,985.7 million as of June 30, 2011 from ₱9,524.6 million as of December 31, 2010 mainly due to the ₱3,341.3 million payment of cash dividend and ₱2,331.1 million net loss for the first half of 2011.

Minority Interest

Minority Interest decreased by 6.3% or ₱99.3 million to ₱1,469.8 million as of June 30, 2011 from ₱1,569.1 million balance as of December 31, 2010 mainly due to the dividend payment of ₱133.5 million which was partly offset by the ₱34.2 million net income for the first half of 2011.

Horizontal and Vertical Analysis of Material Changes as of June 31, 2011 and 2010.

BALANCE SHEET

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

(Amounts In PHP millions)	June 2011	June 2010	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			Increase (Decrease)		2011	2010
			Amount	%		
ASSETS						
Current Assets						
Cash and cash equivalents	10,900.4	6,671.2	4,229.2	63.4%	13.0%	8.1%
Trade and other receivables	2,580.4	5,640.6	(3,060.2)	-54.3%	3.1%	6.9%
Available-for-sale (AFS) investments	685.6	748.0	(62.4)	-8.3%	0.8%	0.9%
Parts and supplies inventories	3,081.9	2,127.2	954.7	44.9%	3.7%	2.6%
Derivative assets	63.2	-	63.2	100.0%	0.1%	0.0%
Other current assets	1,251.1	1,002.7	248.4	24.8%	1.5%	1.2%
Total Current Assets	18,562.6	16,189.7	2,372.9	14.7%	22.1%	19.7%
Noncurrent Assets						
Property, plant and equipment	54,683.9	56,992.2	(2,308.3)	-4.1%	65.0%	69.3%
Intangible assets	4,494.9	4,591.1	(96.2)	-2.1%	5.3%	5.6%
Deferred tax assets	1,446.6	619.9	826.7	133.4%	1.7%	0.8%
Exploration and evaluation assets	1,243.9	1,068.5	175.4	16.4%	1.5%	1.3%
Other noncurrent assets	3,690.5	2,812.2	878.3	31.2%	4.4%	3.4%
Total Noncurrent Assets	65,559.8	66,083.9	(524.1)	-0.8%	77.9%	80.3%
TOTAL ASSETS	84,122.4	82,273.6	1,848.8	2.2%	100.0%	100.0%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Trade and other payables	5,937.9	4,092.9	1,845.0	45.1%	7.1%	5.0%
Income tax payable	78.2	52.9	25.3	47.8%	0.1%	0.1%
Due to related parties	184.3	63.1	121.2	192.1%	0.2%	0.1%
Derivative liabilities	39.2	-	39.2	100.0%	0.0%	0.0%
Current portion of:						
Long-term debts	1,833.0	1,354.7	478.3	35.3%	2.2%	1.6%
Royalty fee payable	295.9	302.9	(7.0)	-2.3%	0.4%	0.4%
Total Current Liabilities	8,368.5	5,866.5	2,502.0	42.6%	10.0%	7.1%
Noncurrent Liabilities						
Long-term debts - net of current portion	47,091.9	40,823.8	6,268.1	15.4%	56.0%	49.6%
Royalty fee payable - net of current portion	133.7	405.9	(272.2)	-67.1%	0.2%	0.5%
Retirement and other post-retirement benefits	1,370.1	1,425.0	(54.9)	-3.9%	1.6%	1.7%
Other long-term liabilities	569.0	289.9	279.1	96.3%	0.7%	0.5%
Total Noncurrent Liabilities	49,164.7	42,944.6	6,220.1	14.5%	58.5%	52.3%
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%	22.3%	22.8%
Common stock in employee trust account	(377.5)	(391.6)	14.1	-3.6%	-0.3%	-0.5%
Additional paid-in capital	6,265.6	6,262.0	3.6	0.1%	7.4%	7.6%
Equity reserve	(3,706.4)	(3,706.4)	-	0.0%	-4.3%	-4.5%
Accumulated unrealized gain on AFS investments	106.8	125.7	(18.9)	-15.0%	0.1%	0.2%
Retained earnings	3,985.7	10,526.4	(6,540.7)	-62.1%	4.7%	12.8%
Cumulative translation adjustment	1.4	-	1.4	100.0%	0.0%	0.0%
Total Equity	25,119.4	31,659.9	(6,540.5)	-20.7%	29.9%	38.4%
Minority Interest	1,469.8	1,802.6	(332.8)	-18.5%	1.7%	2.2%
Total Equity	26,589.2	33,462.5	(6,873.3)	-20.5%	31.6%	40.6%
TOTAL LIABILITIES AND EQUITY	84,122.4	82,273.6	1,848.8	2.2%	100.1%	100.0%

Assets

Cash and Cash Equivalents

This account increased by 63.4% or ₱4,229.2 million to ₱10,900.4 million from the ₱6,671.2 million balance as of June 30, 2010 was primarily due to the ₱13,350.0 million proceeds from the US\$300 million loan.

This was partially offset by the:

- ₱6,537.9 million pre payment of OECF 9th, 19th and 21st Yen loan and regular debt servicing
- ₱3,341.3 million cash dividends paid by the parent company and FG Hydro in 2011.

Trade and Other Receivables

This account decreased by 54.3% or ₱3,060.2 million to ₱2,580.4 million as of June 30, 2011 from the ₱5,640.6 million balance as of June 30, 2010. The reduction was due to the ₱1,034.9 million collection of regular and adjustment billings for November and August 2010 in January 2011, ₱894.9 million application of the last tranche of the arbitral award from NPC billings in November 2010, ₱500.0 million adjustment on shortfall generation of Unified Leyte and ₱104.0 million increase in allowance for doubtful accounts.

Available-For-Sale (AFS) Investments

AFS Investments decreased by 8.3% or ₱62.4 million to ₱685.6 million as of June 30, 2011 from the ₱748.0 million balance as of June 30, 2010 mainly due to the continued appreciation of the Peso versus the US Dollar exchange rate.

Parts and Supplies Inventories

This account increased by 44.9% or ₱954.7 million to ₱3,081.9 balance as of June 30, 2011 from the ₱2,127.2 million balance for the same period in 2010 due to the increase, net of withdrawals, on various materials and supplies for drilling, maintenance and rehabilitation activities in 2011.

Derivative assets

This account increased by 100.0% or ₱63.2 million as of June 30, 2011 from the nil balance as of June 30, 2010 mainly due to the outstanding foreign currency forward contracts in 2011.

Other Current Assets

Other current assets increased by 24.8% or ₱248.4 million to ₱1,251.1 million as of June 30, 2011 from the ₱1,002.7 million posted for the same period in 2010 mainly due to the ₱300.0 million reclassification from non-current assets of the TCC applicable for 2012 recognized in 2011.

Deferred Tax Assets - net

This account increased by 133.4% or ₱826.7 million to ₱1,446.6 million as of June 30, 2011 from the balance of ₱619.9 million as of June 30, 2010 mainly due to the recognition of deferred tax assets on the provision for full impairment of NNGP's assets amounting to ₱8,388.6 million, ₱4,998.6 million in June 2011 and ₱3,390.0 million in December 2010.

Exploration and Evaluation Assets

This account increased by 16.4% or ₱175.4 million to ₱1,243.9 million as of June 30, 2011 from the balance of ₱1,068.5 million as of June 30, 2010 primarily due to the reclassification from exploration and evaluation assets to investment in subsidiaries account the expenses of Burgos Wind project.

Other Noncurrent Assets

This account increased by 31.2% or ₱878.3 million, to ₱3,690.5 million as of June 30, 2011 from the ₱2,812.2 million as of June 30, 2010 primarily due to the increase of ₱991.2 million in Input VAT claims and ₱113.5 million in deferred charges for leasehold improvements. This was offset by the ₱300.0 million worth of TCC reclassified to current assets.

Trade and other payables

This account increased by 45.1%, or ₱1,845.0 million, to ₱5,937.9 million as of June 30, 2011 from the balance of ₱4,092.9 million in the same period of 2010 mainly due to the increased accounts payable of ₱1,463.3 million.

Due to related parties

This account increased by 192.1% or ₱121.2 million to ₱184.3 million as of June 30, 2011 from the balance of ₱63.1 million as of June 30, 2010 primarily due to the increase in consultancy fees and advances from First Gen of ₱86.3 million and steam augmentation contract in Leyte with First Balfour, Inc. amounting to ₱39.3 million.

Income Tax payable

Income tax payable increased by 47.8% or ₱25.3 million to ₱78.2 million as of June 30, 2011 from ₱52.9 million for the same period in 2010 mainly due to higher income tax accrual for the second quarter of 2011.

Derivative liabilities

This account increased by 100.0% or ₱39.2 million as of June 30, 2011 from the nil balance as of June 30, 2010 mainly due to the outstanding foreign currency forward contracts in 2011.

Long-term debt (current portion)

This account increased by 35.3% or ₱478.3 million to ₱1,833.0 million as of June 30, 2011 from the balance of ₱1,354.7 million as of June 30, 2010 mainly due to the ₱827.3 million reclassification from non-current portion of maturing FCRN and IFC debt obligation in 2012 and also the increase in long-term debt by FG Hydro of ₱133.8 million. These were offset by the ₱487.4 million settlement of principal amortization and prepayment of current portion of OECF 9th, 19th and 21st Yen loan in 2011.

Royalty fee payable (net of current portion)

This account decreased by 67.1 % or ₱272.2 million to ₱133.7 million as of June 30, 2011 from the balance of ₱405.9 million as of June 30, 2010 primarily due to the ₱296.4 million outstanding royalty fees payable in 2011 reclassified to current portion reduced by the ₱24.2 million current portion of unamortized Day 1 gain.

Long-term debt (net of current portion)

Long-term debts, consisting of JPY, US\$ and PHP loans, increased by 15.4% or ₱6,268.1 million to ₱47,091.9 million as of June 30, 2011 from ₱40,823.8 million as of June 30, 2010 mainly due to the proceeds of ₱13,350.0 million from US\$300.0 million notes. These were offset by the settlement of ₱4,556.1 million noncurrent portion of OECF 9th, 19th and 21st Yen loan in 2011, ₱1,506.2 million reclassification to current, ₱631.6 million forex exchange gains on translation of foreign loans and ₱247.2 million unamortized transaction costs.

Other Long-term liabilities

This account increased by 96.3% or ₱279.1 million to ₱569.0 million as of June 30, 2011 from ₱289.9 million balance as of June 30, 2010 mainly due to the provision for asset retirement of ₱351.6 million. This was offset by the ₱46.9 million settlement of accrued vacation and sick leave benefits of separated employees and ₱25.7 million payment of the 10 days monetized vacation leave of permanent employees in 2011.

Accumulated unrealized gain on AFS investments

This account decreased by 15.0% or ₱18.9 million to ₱106.8 million as of June 30, 2011 from ₱125.7 million as of June 30, 2010 mainly due to the decrease in fair value of the investments for the period.

Retained Earnings

Retained Earnings decreased by 62.1% or ₱6,540.7 million to ₱3,985.7 million as of June 30, 2011 from ₱10,526.4 million balance as of June 30, 2010 mainly due to the net loss of ₱998.5 million posted from July 1, 2010 to December 31, 2010 and ₱2,331.1 million net loss for the first half of 2011 plus ₱3,207.8 million payment of cash dividend this year.

Minority Interest

Minority Interest decreased by 18.5% or ₱332.8 million to ₱1,469.8 million as of June 30, 2011 from ₱1,802.6 million balance as of June 30, 2010 mainly due to the net loss of ₱233.5 million posted from July 1, 2010 to December 31, 2010 and ₱133.5 million payment of cash dividend this year. This was offset by ₱34.2 million net income for the first half of 2011.

CASH FLOW

Net cash flows from operating activities increased by 10.4% or ₱506.9 million to ₱5,387.3 million in the first half of 2011 from ₱4,880.3 million during the same period in 2010 mainly due to the decline in trade and other receivables of ₱1,587.5 million mainly on account of the collection and adjustments on billings, ₱552.6 million decrease in other current assets with the bulk traceable to the application of withholding tax certificates against income tax payable, ₱397.6 million lower settlement of due to related parties and ₱198.3 million drop in income taxes paid. These were offset by ₱2,209.6 million decline in operating income.

Net cash flows used in investing activities increased by 229.5% or ₱3,541.0 million to ₱5,083.8 million in June 2011 as compared to the ₱1,542.7 million in June 2010 primarily due to the increase in capital expenditures by ₱2,846.1 million and ₱705.6 million increase in other noncurrent assets particularly on input VAT claims.

Net cash flow from financing activities amounted to ₱4,439.6 million in June 2011, a turnaround from net cash flow used in financing activities of ₱7,874.7 million in 2010 primarily due to ₱7,921.3 million increase in loan proceeds due to the issuance of US\$300.00 million notes in January 2011 and US\$175 million refinanced club loan availed in June 2011. The other contributing factors were the decrease in payment of long terms loans by ₱5,497.0 million and short-term borrowings by ₱278.0 million. This was offset by the increase in cash dividend payment during the period by ₱845.0 million and payment of vacation and sick leave benefits of separated employees by ₱74.0 million.

DISCUSSION ON THE SUBSIDIARIES

FG Hydro

June 2011 vs. June 2010 Results

(Amounts in PHP millions)	As of and for the periods ended June 30	
	2011 (Unaudited)	2010 (Unaudited)
Operating revenues	661.6	1,778.8
Expenses – net	581.7	493.3
Income before tax	79.9	1,285.5
Provision for (benefit from) income tax	0.6	(17.3)
Net income	79.3	1,302.8
Total current assets	1,260.0	2,309.8
Total noncurrent assets	7,334.6	7,401.4
Total current liabilities	514.8	436.1
Total noncurrent liabilities	4,405.4	4,747.9
Total equity	3,674.4	4,527.2

June 2011 vs. June 2010 Results

FG Hydro generated revenues of ₱661.6 million for the six-month period ended June 30, 2011, \$1,117.2 million, or 168.9%, lower than revenues of ₱1,778.8 million for the same period in 2010. The unfavorable variance was mainly on account of the combined effects of significantly lower dispatch due to low dam water elevation and low IDR, and lower spot prices in the WESM. These unfavorable variances were further aggravated by higher depreciation, interest and taxes. Unlike in 2010, the favorable effect of improvements in foreign exchange rates in 2011 did not have an impact on FG Hydro as the US dollar-denominated Deferred Payment Facility to PSALM had already been fully paid. Overall, FG Hydro posted a net income of ₱79.3 million for the six-month period ended June 30, 2011, significantly lower than the ₱1,302.8 million reported income for the same period in 2010.

Total assets as of June 30, 2011 stood at ₱8,594.6 million, ₱1,116.6 million or 11.5% lower than the 2010 level of ₱9,711.2 million. The unfavorable variance was mainly due to a lower cash balance in 2011, after debt service, capital expenditures for the PRUP, and dividend payment, compared to 2010 when the proceeds of the company's Peso loan was newly drawn.

As of June 30, 2011, total liabilities stood at ₱4,920.2 million, ₱263.8 million, or 5.1% lower than the 2010 level of ₱5,184.0 million. The decrease in liabilities was mainly due to the scheduled semi-annual loan repayments, the first one of which was paid in November 2010.

Total equity as of June 30, 2011 of ₱3,674.4 million is ₱852.8 million, or 18.8%, lower compared to the June 30, 2010 level of ₱4,527.2 million mainly due to the net income earned during the period July 2010 to June 2011.

Green Core Geothermal Inc.

June 2011 vs. June 2010 Results

(Amounts in PHP millions)	As of and for the periods ended June 30	
	2011 (Unaudited)	2010 (Unaudited)
Revenues	3,933.2	3,145.5
Operating expenses	(4,263.4)	(3,280.6)
Other charges – net	(223.3)	(279.6)
Loss before income tax	(553.5)	(414.7)
Benefit from income tax	55.4	41.6
Net loss	(498.1)	(373.1)
Total Current Assets	1,412.9	1,396.2
Total Non-Current Assets	9,802.7	9,526.9
Total Current Liabilities	8,001.8	7,082.4
Total Equity	3,213.8	3,840.7

GCGI's revenues increased by 25.0% or ₱787.7 million, to ₱3,933.2 million as of June 30, 2011 from ₱3,145.5 for the same period in 2010 mainly due to increase in average tariff by ₱0.545/kWh and higher sales volume by 74.4 GWh.

Operating expenses increased by 30.0%, or ₱982.8 million, to ₱4,263.4 million as of June 30, 2011 from ₱3,280.6 million for the same period in 2010 mainly due to higher cost of steam provided by the Parent Company to GCGI's power plants on account of higher average cost by ₱0.536/kWh and volume by 34.0 GWh. The increase is also caused by this period's metering adjustment on Tongonan I's actual generation for the period November 25 – December 25, 2010 (₱678.3 million) and higher operations & maintenance (₱144.0 million) and purchased services & utilities (₱124.2 million).

Other charges - net decreased by 20.1%, or ₱56.3 million, to 223.3 million in 2011 from ₱279.6 million in 2010 mainly due to this period's foreign exchange gain (₱22.1 million), in contrast to last period's foreign exchange loss (₱19.3 million), and other income on parts & supplies inventory variation (₱14.5 million). Benefit from income tax increased by 33.2%, or ₱13.8 million, to ₱55.4 million in 2011 from ₱41.6 million in 2010 due mainly to higher operating loss.

Total current assets increased by 1.2%, or ₱16.7 million, to ₱1,412.9 million in 2011 from ₱1,396.2 million in 2010 largely due to higher trade & other receivables (₱149.7 million) and other current assets (₱71.8 million) offset by lower cash & cash equivalents (₱105.4 million) and the reduction in parts & supplies inventories (₱100.1 million).

Total noncurrent assets increased by 2.9%, or ₱275.8 million, to ₱9,802.7 million in 2011 from ₱9,526.9 million in 2010 due to higher property, plant and equipment (₱134.5 million), other noncurrent assets (₱76.3 million) and deferred tax asset (₱65.1 million).

Total liabilities increased by 13.0%, or ₱919.4 million, to ₱8,001.8 million in 2011 from ₱7,082.4 million in 2010 owing to the increase in trade & other payable (₱611.2 million) and due to related party (₱308.2 million).

Total equity decreased by 16.3% or ₱626.9 million, to ₱3,213.8 million in 2011 from ₱3,840.7 million in 2010 due to the net loss for the period July 1, 2010 to June 30, 2011.

Bac-Man Geothermal Inc.

June 2011 Results

(Amounts in PHP millions)	June 2011 (Unaudited)
Expenses	(7.3)
Other income	0.9
Operating loss	(6.4)
Benefit from income tax	0.6
Net loss	(5.8)
Total Current Assets	71.9
Total Non-Current Assets	2,538.0
Total Current Liabilities	2,647.9
Total Capital Deficiency	(38.0)

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

As of the second quarter of 2011, BGI has not yet started commercial operations.

Expenses incurred were mainly general and administrative (₱6.8 million), pertaining primarily to issuance costs for the performance bond issued pending execution of the Deed of Assignment between PSALM, NPC, EDC, and BGI.

Current assets consist primarily of advances made to contractors on purchase of services (₱48.2 million) while the bulk of non-current assets are property, plant, and equipment (₱2,402.7 million).

Liabilities pertain to the cash support that EDC provided (₱2,522.6 million), payables to other related parties (₱17.5 million), and trade and other payables (₱107.8 million).

Equity consists of common stocks (₱0.3 million) and a deficit in unappropriated retained earnings (₱38.3 million).

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

As of June 30, 2011, the company has unserved purchase orders and awarded contracts for the purchase of various capital goods in the total amount of ₱1,401.2 million.

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

Legal proceedings

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

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

The Company has ₱20,352.7 million in long-term US dollar and Yen denominated loans as of June 30, 2011, of which 99.7% is US dollar denominated.

To partially mitigate foreign exchange risk in interest payment, the Company had entered into swap agreements and forward foreign currency contracts with various banks.

OTHER MATTERS

CASH DIVIDEND

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

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

MAJOR STOCKHOLDERS

As of June 30, 2011, the total number of stockholders was 705 and the stock price was ₱6.59.

List of Top 20 Stockholders as of June 30, 2011

Rank	Name	Nationality	Number of Shares			%
			Preferred	Common	Total	
1	Red Vulcan Holdings Corporation	Filipino	9,375,000,000	7,500,000,000	16,875,000,000	60.00%
2	PCD Nominee Corporation	Foreign		7,566,493,476	7,566,493,476	26.90%
3	PCD Nominee Corporation	Filipino		2,533,844,837	2,533,844,837	9.01%
4	First Gen Corporation	Filipino		983,182,700	983,182,700	3.50%
5	Spathodea Campanulata, Inc.	Filipino		100,000,000	100,000,000	0.36%
6	Cesar C. Cruz &/or Librada T. Cruz	Filipino		20,000,000	20,000,000	0.07%
7	Federico R. Lopez	Filipino		7,092,501	7,092,501	0.03%
8	Peter D. Garrucho, Jr.	Filipino		5,545,000	5,545,000	0.02%
9	Ernesto B. Rufino, Jr.	Filipino		3,775,000	3,775,000	0.01%
10	Benjamin K. Liboro	Filipino		3,525,500	3,525,500	0.01%
11	Hi-Light Corporation	Filipino		1,577,500	1,577,500	0.01%
12	Mapazon Corporation	Filipino		1,470,000	1,470,000	0.01%
13	Ronaldo C. Sabella	Filipino		1,147,500	1,147,500	0.00%
14	CROSLO Holdings Corporation	Filipino		1,000,000	1,000,000	0.00%
15	Arthur A. Deguia	Filipino		950,000	950,000	0.00%
16	ALG Holdings Corporation	Filipino		875,000	875,000	0.00%
17	Tan Ben Kuan	Filipino		875,000	875,000	0.00%
18	Rosalind Camara	Filipino		663,750	663,750	0.00%
19	Rodolfo R. Waga Jr.	Filipino		658,750	658,750	0.23%
20	Rodolfo R. Waga Jr. &/or Grace B. Waga	Filipino		501,200	501,200	0.18%

BOARD OF DIRECTORS

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

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

OFFICERS

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

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

SIGNATURES

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

Registrant

ENERGY DEVELOPMENT CORPORATION



ERWIN O. AVANTE
Vice President for Corporate Finance

August 12, 2011
Date Signed


MARIBEL A. MANLAPAZ
Comptroller

August 12, 2011
Date Signed

Annex I

Energy Development Corporation and Subsidiaries

A Subsidiary of Red Vulcan Holdings Corporation

Unaudited Interim Consolidated Financial Statements
June 30, 2011 and 2010
(With Comparative Figures as of December 31, 2010)

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

**UNAUDITED INTERIM CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION**

JUNE 30, 2011 AND 2010

(With Comparative Figures as of December 31, 2010)

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Restated, Unaudited, Note 33)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 5 and 32)	₱10,900,365,601	₱6,157,925,132	₱6,671,248,993
Trade and other receivables (Notes 6 and 32)	2,580,364,278	4,602,047,375	5,640,565,840
Available-for-sale (AFS) investments (Note 32)	685,593,258	707,524,992	747,994,934
Parts and supplies inventories (Note 7)	3,081,862,634	2,577,442,827	2,127,213,668
Derivative assets (Note 32)	63,203,930	-	-
Other current assets	1,251,099,445	733,797,284	1,002,727,527
Total Current Assets	18,562,489,146	14,778,737,610	16,189,750,962
Noncurrent Assets			
Property, plant and equipment (Note 8 and 33)	54,683,926,247	56,679,162,602	56,992,199,825
Goodwill and water rights (Note 9 and 33)	4,494,946,348	4,543,041,926	4,591,137,505
Deferred tax assets – net (Note 8 and 33)	1,446,596,510	893,702,182	619,916,299
Exploration and evaluation assets	1,243,920,555	1,170,407,115	1,068,491,478
Derivative assets (Note 32)	-	-	39,894
Other noncurrent assets (Note 10)	3,690,386,752	3,238,541,427	2,812,102,159
Total Noncurrent Assets	65,559,776,412	66,524,855,252	66,083,887,160
TOTAL ASSETS	₱84,122,265,558	₱81,303,592,862	₱82,273,638,122

LIABILITIES AND EQUITY

Current Liabilities

Loan payable (Note 32)	₱-	₱175,000,000	₱-
Trade and other payables (Notes 11 and 32)	5,937,882,663	5,123,491,686	4,092,948,003
Income tax payable	78,157,460	71,247,509	52,916,172
Due to related parties (Notes 23 and 32)	184,253,083	335,650,484	63,114,490
Derivative liabilities (Note 32)	39,227,456	-	-
Current portion of:			
Long-term debts (Notes 13 and 32)	1,833,048,809	1,527,248,370	1,354,681,567
loyalty fees payable (Notes 12 and 32)	295,914,471	254,155,199	302,911,397
Total Current Liabilities	8,368,483,942	7,486,793,248	5,866,571,629

(Forward)

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Restated, Unaudited, Note 33)
Noncurrent Liabilities			
Long-term debts - net of current portion (Notes 13 and 32)	₱47,091,886,962	₱39,678,699,478	₱40,823,827,209
Royalty fees payable - net of current portion (Notes 12 and 32)	133,728,991	300,628,373	405,896,568
Net retirement and other post- employment benefits	1,370,092,469	1,307,137,045	1,424,995,053
Other long-term liabilities (Note 8)	569,020,582	291,353,661	289,928,849
Total Noncurrent Liabilities	49,164,729,004	41,577,818,557	42,944,647,679
Total Liabilities	57,533,212,946	49,064,611,805	48,811,219,308
Equity			
Attributable to Equity Holders of the Parent Company:			
Preferred stock (Note 14)	93,750,000	93,750,000	93,750,000
Common stock (Note 14)	18,750,000,000	18,750,000,000	18,750,000,000
Common shares in employee trust account	(377,483,019)	(379,219,785)	(391,643,364)
Additional paid-in capital	6,265,571,968	6,266,099,283	6,262,027,052
Equity reserve	(3,706,430,769)	(3,706,430,769)	(3,706,430,769)
Net accumulated unrealized gain on AFS investments	106,778,838	119,718,797	125,706,287
Cumulative translation adjustment	1,370,000	1,370,000	-
Retained earnings	3,985,721,822	9,524,603,810	10,526,445,016
	25,119,278,840	30,669,891,336	31,659,854,222
Non-controlling interest	1,469,773,772	1,569,089,721	1,802,564,592
Total Equity	26,589,052,612	32,238,981,057	33,462,418,814
TOTAL LIABILITIES AND EQUITY	₱84,122,265,558	₱81,303,592,862	₱82,273,638,122

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

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

	Three-month Periods Ended June 30		Six-month Periods Ended June 30	
	2011	2010 (Restated, Note 33)	2011	2010 (Restated, Note 33)
REVENUES (Note 4)				
Sale of electricity	₱5,610,615,517	₱5,198,439,935	₱11,408,776,024	₱11,741,390,446
Sale of steam	-	446,014,346	-	886,041,338
Drilling services	172,094,892	216,666,646	326,711,529	394,167,756
	5,782,710,409	5,861,120,927	11,735,487,553	13,021,599,540
OPERATING EXPENSES				
Operations and maintenance (Note 16)	(5,919,019,971)	(1,213,107,477)	(7,552,281,604)	(2,338,213,623)
General and administrative (Note 17)	(1,237,636,945)	(1,215,546,383)	(2,066,935,300)	(1,971,649,463)
Purchased services and utilities (Note 15)	(655,903,132)	(421,739,398)	(1,047,258,383)	(761,766,292)
Depreciation and amortization (Notes 4 and 8)	(909,937,680)	(834,274,969)	(1,815,972,247)	(1,687,713,412)
	(8,722,497,728)	(3,684,668,227)	(12,482,447,534)	(6,759,342,790)
FINANCIAL INCOME (EXPENSES)				
Interest income - net of final tax (Notes 4 and 20)	93,955,446	89,005,257	217,873,134	224,322,049
Interest expense (Notes 4 and 19)	(1,276,004,963)	(921,194,828)	(2,314,926,228)	(1,785,180,572)
	(1,182,049,517)	(832,189,571)	(2,097,053,094)	(1,560,858,523)
OTHER INCOME (CHARGES) (Note 4)				
Foreign exchange gains (losses) - net (Note 18)	48,272,813	(984,495,077)	236,833,940	(309,702,504)
Derivative gains (losses) - net (Note 32)	(46,526,531)	442,466,704	(8,973,485)	437,028,628
Miscellaneous – net (Note 21)	(18,243,498)	1,627,411,206	12,459,014	1,630,558,334
	(16,497,216)	1,085,382,833	240,319,469	1,757,884,458
INCOME (LOSS) BEFORE INCOME TAX	(4,138,334,052)	2,429,645,962	(2,603,693,606)	6,459,282,685
BENEFIT FROM (PROVISION FOR) INCOME TAX				
Current	(78,641,622)	(52,921,842)	(247,075,683)	(259,857,709)
Deferred (Note 8)	465,729,835	(518,709,469)	553,886,596	(572,357,293)
	387,088,213	(571,631,311)	306,810,913	(832,215,002)
NET INCOME (LOSS)	(₱3,751,245,839)	₱1,858,014,651	(₱2,296,882,693)	₱5,627,067,683
Net income (loss) attributable to:				
Equity Holders of the Parent Company	(₱3,709,034,962)	₱1,851,475,602	(₱2,331,092,842)	₱5,114,264,208
Non-controlling interest	(42,210,877)	6,539,049	34,210,149	512,803,475
	(₱3,751,245,839)	₱1,858,014,651	(₱2,296,882,693)	₱5,627,067,683
Basic/Diluted Earnings (Loss) Per Share for Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 22)	(₱0.198)	₱0.098	(₱0.125)	₱0.272

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

	2011	2010 (Restated)
REVENUES (Note 4)		
Sale of electricity	₱11,408,776,024	₱11,741,390,446
Sale of steam	-	886,041,338
Revenue from drilling services	326,711,529	394,167,756
	11,735,487,553	13,021,599,540
OPERATING EXPENSES		
Operations and maintenance (Note 16)	(7,552,281,604)	(2,338,213,623)
General and administrative (Note 17)	(2,066,935,300)	(1,971,649,463)
Purchased services and utilities (Note 15)	(1,047,258,383)	(761,766,292)
Depreciation and amortization (Notes 4 and 8)	(1,815,972,247)	(1,687,713,412)
	(12,482,447,534)	(6,759,342,790)
FINANCIAL INCOME (EXPENSES)		
Interest income (Notes 4 and 20)	217,873,134	224,322,049
Interest expense (Notes 4 and 19)	(2,314,926,228)	(1,785,180,572)
	(2,097,053,094)	(1,560,858,523)
OTHER INCOME (CHARGES) (Note 4)		
Foreign exchange gains - net (Note 18)	236,833,940	(309,702,504)
Derivatives gain (loss) - net	(8,973,485)	437,028,628
Miscellaneous – net (Note 21)	12,459,014	1,630,558,334
	240,319,469	1,757,884,458
INCOME (LOSS) BEFORE INCOME TAX	(2,603,693,606)	6,459,282,685
BENEFIT FROM (PROVISION FOR) INCOME TAX		
Current	(247,075,683)	(259,857,709)
Deferred	553,886,596	(572,357,293)
	306,810,913	(832,215,002)
NET INCOME (LOSS)	(₱2,296,882,693)	₱5,627,067,683
Net income (loss) attributable to:		
Equity Holders of the Parent Company	(₱2,331,092,842)	₱5,114,264,208
Non-controlling interest	34,210,149	512,803,475
	(₱2,296,882,693)	₱5,627,067,683
Basic/Diluted Earnings (Deficit) Per Share for Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 22)		
	(₱0.125)	₱0.272

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

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

	Three-month Periods Ended June 30		Six-month Periods Ended June 30	
	2011	2010 (Restated, Note 33)	2011	2010 (Restated, Note 33)
Net income (loss)	(₱3,751,245,839)	₱1,858,014,651	(₱2,296,882,693)	₱5,627,067,683
Other comprehensive income (loss)				
Unrealized gain (loss) on AFS investments	(3,511,956)	3,222,781	(12,939,959)	12,528,964
Total comprehensive income (loss)	(₱3,754,757,795)	₱1,861,237,432	(₱2,309,822,652)	₱5,639,596,647
Total comprehensive income (loss) attributable to:				
Equity Holders of the Parent Company	(₱3,712,546,918)	₱1,854,698,383	(₱2,344,032,801)	₱5,126,793,172
Non-controlling interest	(42,210,877)	6,539,049	34,210,149	512,803,475
	(₱3,754,757,795)	₱1,861,237,432	(₱2,309,822,652)	₱5,639,596,647

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

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

Equity Attributable to Equity Holders of the Parent Company

	Preferred Stock (Note 14)	Common Stock (Note 14)	Common Shares in Employee Trust Account	Additional Paid-in Capital	Equity Reserve	Net Accumulated Unrealized Gain on AFS Investments	Cumulative Translation Adjustment	Retained Earnings	Subtotal	Non-controlling Interest	Total Equity
Balances, December 31, 2009 (Audited)	₱93,750,000	₱18,750,000,000	(₱391,643,364)	₱6,262,027,052	(₱3,706,430,769)	₱113,177,323	₱-	₱7,669,894,141	₱28,790,774,383	₱1,529,761,117	₱30,320,535,500
Total comprehensive income:											
Net income, as previously reported	-	-	-	-	-	-	-	5,223,915,783	5,223,915,783	512,803,475	5,736,719,258
Restatements/adjustments	-	-	-	-	-	-	-	(109,651,575)	(109,651,575)	-	(109,651,575)
Net income, as adjusted	-	-	-	-	-	-	-	5,114,264,208	5,114,264,208	512,803,475	5,627,067,683
Changes in fair value of AFS investments recognized in equity	-	-	-	-	-	12,528,964	-	-	12,528,964	-	12,528,964
	-	-	-	-	-	12,528,964	-	5,114,264,208	5,126,793,172	512,803,475	5,639,596,647
Documentary stamp tax on:											
Preferred shares subscriptions	-	-	-	-	-	-	-	(131,250)	(131,250)	-	(131,250)
Common shares subscriptions	-	-	-	-	-	-	-	(1,248,750)	(1,248,750)	-	(1,248,750)
Cash dividends	-	-	-	-	-	-	-	(2,256,333,333)	(2,256,333,333)	-	(2,256,333,333)
Cash dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	(240,000,000)	(240,000,000)
Balances, June 30, 2010 (Unaudited)	₱93,750,000	₱18,750,000,000	(₱391,643,364)	₱6,262,027,052	(₱3,706,430,769)	₱125,706,287	₱-	₱10,526,445,016	₱31,659,854,222	₱1,802,564,592	₱33,462,418,814
Balances, December 31, 2010 (Audited)	₱93,750,000	₱18,750,000,000	(₱379,219,785)	₱6,266,099,283	(₱3,706,430,769)	₱119,718,797	₱1,370,000	₱9,524,603,810	₱30,669,891,336	₱1,569,089,721	₱32,238,981,057
Total comprehensive income (loss):											
Net income (loss)	-	-	-	-	-	-	-	(2,331,092,842)	(2,331,092,842)	34,210,149	(2,296,882,693)
Changes in fair value of AFS investments recognized in equity	-	-	-	-	-	(12,939,959)	-	-	(12,939,959)	-	(12,939,959)
	-	-	-	-	-	(12,939,959)	-	(2,331,092,842)	(2,344,032,801)	34,210,149	(2,309,822,652)
Cash dividend (Note 28)	-	-	-	-	-	-	-	(3,007,500,000)	(3,007,500,000)	-	(3,007,500,000)
Cash dividend - FG Hydro's preferred shares	-	-	-	-	-	-	-	(200,289,146)	(200,289,146)	(133,526,098)	(333,815,244)
Share-based payment	-	-	1,736,766	464,953	-	-	-	-	2,201,719	-	2,201,719
Deferred income tax effect of share-based payment	-	-	-	(992,268)	-	-	-	-	(992,268)	-	(992,268)
Balances, June 30, 2011 (Unaudited)	₱93,750,000	₱18,750,000,000	(₱377,483,019)	₱6,265,571,968	(₱3,706,430,769)	₱106,778,838	₱1,370,000	₱3,985,721,822	₱25,119,278,840	₱1,469,773,772	₱26,589,052,612

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

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

	June 30, 2011 (Unaudited)	June 30, 2010 (Restated, Note 33)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(₱2,603,693,606)	₱6,459,282,685
Adjustments for:		
Impairment loss on property, plant and equipment of Northern Negros Geothermal Project (NNGP) (Notes 4, 8 and 16)	4,998,608,008	-
Interest expense (Notes 4 and 19)	2,314,926,228	1,677,858,324
Depreciation and amortization (Notes 4 and 8)	1,815,972,247	1,687,713,412
Unrealized foreign exchange losses (gains)	(390,812,859)	102,198,134
Interest income (Notes 4 and 20)	(217,873,134)	(231,707,866)
Provision for:		
Retirement and post-employment benefits	142,955,424	187,910,516
Share-based benefits cost	2,201,719	-
“Day 1” loss on security deposits (Note 21)	6,078,723	-
Loss on retirement of property, plant and equipment	251,147	286,115
Recovery of impairment loss on input value-added tax (VAT) claims	-	(1,638,885,544)
Derivative losses (gains) - net (Note 32)	(23,976,474)	9,568,714
Operating income before working capital changes	6,044,637,423	8,254,224,490
Decrease (increase) in:		
Trade and other receivables	905,823,200	(681,707,380)
Parts and supplies inventories	(504,419,807)	(180,334,018)
Other current assets	92,256,606	(460,373,485)
Increase (decrease) in:		
Trade and other payables	1,040,944,177	252,209,803
Due to related parties	(76,256,562)	(473,905,720)
Royalty fees payable	(143,276,596)	(130,625,318)
Cash generated from operations	7,359,708,441	6,579,488,372
Interest and financing charges paid	(1,891,819,261)	(1,465,453,785)
Income taxes paid including creditable withholding taxes	(608,155)	(198,956,767)
Retirement and other post-employment benefits paid	(80,000,000)	(34,745,498)
Net cash flows from operating activities	5,387,281,025	4,880,332,322
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (Note 8)	(4,519,768,470)	(1,673,712,192)
Interest received	230,776,903	212,116,555
Decrease (increase) in:		
Exploration and evaluation assets	(18,077,698)	(10,081,080)
Other noncurrent assets	(776,694,551)	(71,066,210)
Net cash used in investing activities	(5,083,763,816)	(1,542,742,927)

	June 30, 2011 (Unaudited)	2010 (Restated, Note 33)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Short-term loans	(₱175,000,000)	(₱452,950,000)
Long-term debts (Note 13)	(12,950,075,858)	(18,446,633,049)
Cash dividends	(3,341,315,244)	(2,496,333,333)
Documentary stamp	-	(1,380,000)
Proceeds from:		
Short-term loans	-	463,840,000
Long-term debts (Note 13)	20,980,000,000	13,058,750,000
Decrease in other long-term liabilities	(73,975,550)	-
Net cash flows from (used in) financing activities	4,439,633,348	(7,874,706,382)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,743,150,557	(4,537,116,987)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(710,088)	(12,531,178)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,157,925,132	11,220,897,158
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Notes 5 and 32)	₱10,900,365,601	₱6,671,248,993

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

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

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

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

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

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

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

On May 12, 2009, First Gen’s indirect voting interest in Red Vulcan was reduced to 45% with the balance taken up by Lopez Inc. Retirement Fund (40%) and Quialex Realty Corporation (15%)

through the issuance of preferred shares by Prime Terracota. As a result of this transaction, Prime Terracota replaced First Holdings as the ultimate parent of EDC effective May 12, 2009.

The Parent Company operates 12 geothermal projects in five geothermal service contract areas, namely Leyte Geothermal Production Field (LGPF), Southern Negros Geothermal Production Field (SNGPF), BacMan Geothermal Production Field (BGPF), Mindanao Geothermal Production Field (MGPF) and Northern Negros Geothermal Production Field (NNGPF) under the Geothermal Service Contracts (GSCs) entered into with the Department of Energy (DOE) pursuant to the provisions of Presidential Decree (P.D.) 1442. These GSCs were replaced by Geothermal Renewable Energy Service Contracts (GRESCs) on October 23, 2009 under the following project names and DOE Certificate of Registrations:

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

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

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

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

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

On March 8, 2011, the SEC approved the change of FL Geothermal's corporate name to EDC Geothermal Corp.

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

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

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

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

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

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

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

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

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

The unaudited interim condensed consolidated financial statements of the Company were reviewed and recommended for approval by the Audit and Governance Committee to the Board of Directors (BOD) on August 9, 2011. The same consolidated financial statements were also approved and authorized for issuance by the BOD on August 9, 2011.

2. **Basis of Preparation**

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

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for derivative instruments and AFS investments that have been measured at fair value. The unaudited interim condensed consolidated financial statements are

presented in Philippine peso (Peso), which is the Parent Company's functional currency. All values are rounded to the nearest peso, except when otherwise indicated.

As of June 30, 2011, the company has not yet decided whether or not to early adopt PFRS 9 (2009) or PFRS 9 (2010) for its 2011 financial reporting and therefore, the interim financial statements do not reflect the impact of the said standard. It is currently evaluating the impact of the possible early adoption of either PFRS 9 (2009) or PFRS 9 (2010) in its financial statements. In case of early adoption, the accounts to be affected would be the available for sale investments, both debt and equity investments (Note 32 & 10), which are classified as available for sale investment under current and non-current portion in the statement of financial position, respectively with the net accumulated unrealized gain of these accounts presented in the statement of comprehensive income.

3. Significant Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's audited annual consolidated financial statements as of and for the year ended December 31, 2010, except for the adoption of the following new and amended accounting standards that became effective beginning January 1, 2011.

- *PAS 24, Related Party Disclosures (Amended)*
The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.
- *PAS 32, Financial Instruments: Presentation (Amendment) - Classification of Rights Issue*
The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.
- *Philippine Interpretation IFRIC 14 (Amendment) - Prepayments of a Minimum Funding Requirement*
The amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.
- *Philippine Interpretation IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments*
Philippine Interpretation IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are

measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in consolidated statement of income.

Improvements to PFRS (issued in May 2010)

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

4. **Operating Segment Information**

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

The Company's identified operating segments below are consistent with the segments reported to the 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 Bilateral Contract Quantities (BCQ) and GCGI's sales to various NPC-assigned customers covered by Power Supply Contracts and contracted customers covered by Power Supply Agreement (PSA).
- b. Steam segment - These relate to sale of steam to NPC plants covered by SSAs. The remaining agreements are those for the Bacman geothermal production steam fields.
- c. All other segments - These relate to segment performing drilling services for Lihir Gold Ltd.

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

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

NPC is the main customer for the electricity segment which comprised 59% of the total electricity revenue for the period ended June 30, 2011 and 57% for the period ended June 30, 2010 and the only external customer for the steam segment, particularly for the Bac-Man power plants. Following the acquisition by BGI of these power plants in September 2010 and the subsequent major rehabilitation of these assets, the billings and collections by EDC were temporarily waived until June 30, 2011.

Financial information on the operating segments are summarized as follows:

	Electricity	Steam	All Other Segments	Eliminations	Total
Period Ended June 30, 2011					
Segment revenue from external customers	₱11,408,776,024	₱-	₱326,711,529	₱-	₱11,735,487,553
Intersegment revenue	148,099,226	3,326,903,205	-	(3,475,002,431)	-
Total segment revenue	11,556,875,250	3,326,903,205	326,711,529	(3,475,002,431)	11,735,487,553
Segment expenses	(13,599,011,990)	(2,032,735,518)	(297,657,553)	3,475,002,431	(12,454,402,630)
Segment results	(₱2,042,136,740)	₱1,294,167,687	₱29,053,976	₱-	(718,915,077)
Unallocated segment expenses					(28,044,904)
Unallocated interest income					217,873,134
Unallocated interest expense					(2,314,926,228)
Unallocated other income – net					240,319,469
Unallocated income taxes					306,810,913
Net loss					(₱2,296,882,693)
EBITDA	₱4,693,314,878	₱1,738,491,733	₱38,312,316	₱-	₱6,470,118,927
Unallocated expenses					(27,898,355)
					₱6,442,220,572
Period Ended June 30, 2010, As Restated					
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	(7,848,604,498)	(1,306,124,413)	(355,266,222)	2,761,202,371	(6,748,792,762)
Segment results	₱4,005,353,423	₱2,228,551,821	₱38,901,534	₱-	6,272,806,778
Unallocated segment expenses					(10,550,028)
Unallocated interest income					224,322,049
Unallocated interest expense					(1,785,180,572)
Unallocated other income – net					1,757,884,458
Unallocated income taxes					(832,215,002)
Net income					₱ 5,627,067,683
EBITDA	₱5,571,084,607	₱2,370,957,050	₱47,301,027	₱-	₱7,989,342,684
Unallocated expenses					(10,538,910)
					₱7,978,803,774
As of and for the period ended June 30, 2011					
Segment assets	₱57,031,528,204	₱10,607,904,902	₱1,657,575,734	₱-	₱69,297,008,840
Unallocated corporate assets					14,825,256,718
Total assets					₱84,122,265,558
Segment liabilities	₱35,440,653,954	₱18,715,194,955	₱1,481,933,257	₱-	₱55,637,782,166
Unallocated corporate liabilities					1,895,430,780
Total liabilities					₱57,533,212,946
Capital expenditure	₱2,533,841,495	₱1,848,004,895	₱42,566,663	₱-	₱4,424,413,053
Unallocated capital expenditure					95,355,417
Total capital expenditure					₱4,519,768,470
Depreciation and amortization	(₱1,620,820,910)	(₱185,746,448)	(₱9,258,340)	₱-	(₱1,815,825,698)

	Electricity	Steam	All Others	Eliminations	Total
Unallocated depreciation and amortization					(146,549)
Total depreciation and amortization					(P1,815,972,247)
Impairment loss	(P4,998,608,008)	P-	P-	P-	(P4,998,608,008)
Other non-cash items	(P207,307,140)	(P299,159,920)	(P198,180)	P-	(P506,665,240)
Unallocated non-cash items					405,435,404
Total other non-cash items					(P101,229,836)

**As of and for the year ended
December 31, 2010**

Segment assets	P61,887,182,131	P8,739,317,275	P1,477,083,683	P-	P72,103,583,089
Unallocated corporate assets					9,200,009,773
Total assets					P81,303,592,862
Segment liabilities	P29,974,801,728	P14,735,627,501	P1,375,234,436	P-	P46,085,663,665
Unallocated corporate liabilities					2,978,948,140
Total liabilities					P49,064,611,805
Capital expenditure	P4,960,911,113	P1,916,413,339	P125,180,894	P-	P7,002,505,346
Unallocated capital expenditure					91,205,270
Total capital expenditure					P7,093,710,616
Depreciation and amortization	(P3,165,734,160)	(P275,082,901)	(P4,164,781)	P-	(P3,444,981,842)
Unallocated depreciation and amortization					(22,788)
Total depreciation and amortization					(P3,445,004,630)
Impairment loss	P3,390,000,000	P-	P-	P-	P3,390,000,000
Other non-cash items	(P3,640,935,233)	(P181,051,208)	(P4,297,625)	P-	(P3,826,284,066)
Unallocated non-cash items					1,689,402,806
Total other non-cash items					(P2,136,881,260)

**As of and for the period ended
June 30, 2010, As Restated**

Segment assets	P64,718,493,049	P6,950,014,489	P1,523,470,367	P-	P73,191,977,905
Unallocated corporate assets					9,081,660,217
Total assets					P82,273,638,122
Segment liabilities	P23,603,359,970	P10,679,388,205	P1,157,844,420	P-	P35,440,592,595
Unallocated corporate liabilities					13,370,626,713
Total liabilities					P48,811,219,308
Capital expenditure	P535,228,375	P567,929,177	P162,976,715	P-	P1,266,134,267
Unallocated capital expenditure					44,829,647
Total capital expenditure					P1,310,963,914
Depreciation and amortization	(P1,556,829,320)	(P122,391,661)	(P8,481,313)	P-	(P1,687,702,294)
Unallocated depreciation and amortization					(11,118)
Total depreciation and amortization					(P1,687,713,412)
Impairment loss	P-	P-	P-	P-	P-
Other non-cash items	P1,525,939,239	(P89,941,347)	(P13,856,476)	P-	P1,422,141,416
Unallocated non-cash items					(120,527,756)
					P1,301,613,660

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

	2011	2010
EBITDA	₱6,442,220,572	₱7,978,803,774
Add (Deduct):		
Depreciation and amortization	(1,815,972,247)	(1,687,713,412)
Impairment loss on property, plant and equipment of NNGP	(4,998,608,008)	-
Provision for doubtful accounts	(211,273,157)	(16,267,362)
Net provision for impairment of parts and supplies inventories	(163,327,141)	(12,566,250)
Interest income	217,873,134	224,322,049
Interest expense	(2,314,926,228)	(1,785,180,572)
Foreign exchange gains (losses) – net	236,833,940	(309,702,504)
Derivatives gain (loss) – net	(8,973,485)	437,028,628
Provision for (benefit from) income tax	306,810,913	(832,215,002)
Miscellaneous – net	12,459,014	1,630,558,334
Consolidated net income (loss)	(₱2,296,882,693)	₱5,627,067,683

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

Unallocated expenses pertain to expenses of the corporate, technical and administrative support groups while unallocated corporate assets and liabilities which include among others certain cash and cash equivalents, property, plant and equipment, parts and supplies inventories, trade and other payables and retirement and post-employment benefits, pertain to the Head Office and are managed on a group basis.

5. Cash and Cash Equivalents

This account consists of the following:

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Unaudited)
Cash on hand and in banks	₱584,586,674	₱425,895,226	₱914,163,888
Cash equivalents	10,315,778,927	5,732,029,906	5,757,085,105
	₱10,900,365,601	₱6,157,925,132	₱6,671,248,993

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, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Unaudited)
Trade	₱2,559,872,060	₱4,449,033,196	₱5,355,303,987
Others:			
Non-trade accounts receivable	54,110,493	73,070,811	80,065,117
Loans and notes receivables	56,370,413	61,297,851	64,968,364
Advances to employees	30,148,448	30,389,460	32,241,451
Employee receivables	9,563,941	18,728,878	19,518,233
Claims receivable	133,971	133,971	114,257,437
Total other receivables	150,327,266	183,620,971	311,050,602
	2,710,199,326	4,632,654,167	5,666,354,589
Less allowance for doubtful accounts	129,835,048	30,606,792	25,788,749
	₱2,580,364,278	₱4,602,047,375	₱5,640,565,840

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. Additional impairment loss recognized in 2011 is ₱211.3 million (see Note 17).

7. Parts and Supplies Inventories

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Restated, Unaudited)
On hand:			
Drilling tubular products and equipment spares	₱1,305,880,582	₱784,091,559	₱664,151,976
Power plant spares	676,828,393	434,541,821	735,922,751
Pump, production/steam gathering system, steam turbine, valves and valve spares	293,616,617	378,024,500	227,725,234
Chemical, chemical products, gases and catalyst	260,853,086	378,798,354	179,008,662
Electrical, cable, wire product and compressor spares	81,931,813	102,394,673	48,686,201
Heavy equipment spares	59,003,908	51,758,570	55,576,262
Automotive, mechanical, bearing, seals, v-belt, gasket, tires and batteries	39,915,598	92,344,107	26,836,572
Measuring instruments, indicators and tools, safety equipment and supplies	34,007,586	50,870,815	27,871,753
Construction and hardware supplies, stationeries and office supplies, hoses, communication and other spares and supplies	13,099,285	29,463,704	16,292,250
	2,765,136,868	2,302,288,103	1,982,071,661
In transit	316,725,766	275,154,724	145,142,007
	₱3,081,862,634	₱2,577,442,827	₱2,127,213,668

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

Parts and supplies inventories for disposal amounting to ₱163.3 million and ₱12.7 million were written down to zero net realizable value for the six-month periods ended June 30, 2011 and 2010, respectively (see Note 17).”

8. Property, Plant and Equipment

	December 31, 2011										Total
	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	
Cost											
Balance at January 1, 2011	₱36,607,352,559	₱17,392,141,146	₱1,798,591,947	₱3,803,840,502	₱67,240,415	₱495,684,907	₱456,421,470	₱333,924,551	₱53,030,079	₱5,097,727,288	₱66,105,954,864
Additions	6,089,286	304,026,186	284,926,579	101,637,695	22,324,167	25,236,964	63,485,929	45,811,538	–	3,970,256,312	4,823,794,656
Retirements/Write-off	–	–	(1,705,554)	(4,991,340)	(9,706,446)	(33,879,055)	(3,268,931)	–	5,208,787	–	(48,342,539)
Reclassifications	458,192,273	653,455,054	7,787,852	(2,880,241)	–	(2,641,774)	–	–	–	(1,115,934,358)	(2,021,194)
Balance at June 30, 2011	37,071,634,118	18,349,622,386	2,089,600,824	3,897,606,616	79,858,136	484,401,042	516,638,468	379,736,089	58,238,866	7,952,049,242	70,879,385,787
Accumulated depreciation and impairment											
Balance at January 1, 2011	4,054,656,188	3,256,620,699	287,626,673	1,462,628,729	42,658,867	233,098,900	89,502,206	–	–	–	9,426,792,262
Depreciation for the period	1,106,456,718	372,518,855	51,115,148	162,892,046	5,424,497	43,798,156	25,671,249	–	–	–	1,767,876,669
Impairment – NNGP (Note 16)	1,662,635,857	2,419,098,627	56,658,530	141,579,499	–	74,681,583	32,155,446	17,255,629	3,678,839	590,863,998	4,998,608,008
Retirements/Write-off	–	–	(926,227)	(4,950,214)	(9,706,432)	(29,833,362)	(2,668,003)	–	(7,154)	–	(48,091,392)
Reclassifications	–	–	(539,402)	55,048,756	(143,177)	(3,653,752)	(438,432)	–	–	–	50,273,993
Balance at June 30, 2011	6,823,748,763	6,048,238,181	393,934,722	1,817,198,816	38,233,755	318,091,525	144,222,466	17,255,629	3,671,685	590,863,998	16,195,459,540
Net book value	₱30,247,885,355	₱12,301,384,205	₱1,695,666,102	₱2,080,407,800	₱41,624,381	₱166,309,517	₱372,416,002	₱362,480,460	₱54,567,181	₱7,361,185,244	₱54,683,926,247

	December 31, 2010 (Audited)										Total
	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	
Cost											
Balances at January 1, 2010	₱32,819,925,675	₱14,407,980,612	₱4,277,603,274	₱3,615,826,830	₱77,916,278	₱422,120,327	₱201,428,804	₱333,082,705	₱86,852,124	₱3,449,685,161	₱59,692,421,790
Acquisition through business combination	–	–	–	–	–	–	–	–	–	1,279,725,000	1,279,725,000
Additions	120,898,606	–	77,126,525	246,843,928	13,414,527	88,905,171	53,170,073	841,846	30,858,430	5,183,251,812	5,815,310,918
Retirements/Write-off	(451,492,400)	–	(66,310,776)	(16,453,349)	(21,174,438)	(18,700,917)	(5,057,652)	–	3,405,825	–	(575,783,707)
Reclassifications	4,118,020,678	2,984,160,534	(2,489,827,076)	(42,376,907)	(2,915,952)	3,360,326	206,880,245	–	(68,086,300)	(4,814,934,685)	(105,719,137)
Balances at December 31, 2010	36,607,352,559	17,392,141,146	1,798,591,947	3,803,840,502	67,240,415	495,684,907	456,421,470	333,924,551	53,030,079	5,097,727,288	66,105,954,864
Accumulated Depreciation and Impairment											
Balances at January 1	453,898,777	326,670,521	597,267,399	1,044,814,617	56,220,762	179,028,770	53,812,263	–	–	–	2,711,713,109
Depreciation for the year	2,212,876,258	645,100,713	98,887,909	276,606,163	6,202,475	68,386,772	40,753,183	–	–	–	3,348,813,473
Impairment - NNGP	1,105,150,535	2,284,849,465	–	–	–	–	–	–	–	–	3,390,000,000
Retirements/Write-off	(90,905,093)	–	(26,841,654)	(15,826,915)	(20,893,155)	(14,871,292)	(5,057,596)	–	–	–	(174,395,705)
Reclassifications	373,635,711	–	(381,686,981)	157,034,864	1,128,785	554,650	(5,644)	–	–	–	150,661,385
Balances at December 31, 2010	4,054,656,188	3,256,620,699	287,626,673	1,462,628,729	42,658,867	233,098,900	89,502,206	–	–	–	9,426,792,262
Net Book Value	₱32,552,696,371	₱14,135,520,447	₱1,510,965,274	₱2,341,211,773	₱24,581,548	₱262,586,007	₱366,919,264	₱333,924,551	₱53,030,079	₱5,097,727,288	₱56,679,162,602

	Power Plants	FCRS and Production Wells	Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Laboratory Equipment	Land	Major Spares and Others	Construction in Progress	Total
Cost											
Balances at January 1, 2010, as previously reported	₱35,191,229,893	₱14,407,980,612	₱4,538,078,209	₱3,652,656,063	₱77,778,578	₱418,525,551	₱420,446,221	₱333,082,705	₱86,852,124	₱3,449,685,161	₱62,576,315,117
Purchase Price Allocation Adjustment	(2,371,304,218)	–	(260,474,935)	(36,829,233)	137,700	3,594,776	(219,017,417)	–	–	–	(2,883,893,327)
Balances at January 1, 2010, as restated	32,819,925,675	14,407,980,612	4,277,603,274	3,615,826,830	77,916,278	422,120,327	201,428,804	333,082,705	86,852,124	3,449,685,161	59,692,421,790
Additions	–	–	253,872,335	197,458,199	2,833,476	22,363,509	26,002,856	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)
Balances at June 30, 2010	32,819,925,546	14,407,980,612	6,187,366,469	3,706,083,360	75,063,384	440,284,416	434,697,933	333,647,802	87,361,264	2,855,724,451	61,348,135,237
Accumulated depreciation and impairment											
Balances at January 1, as previously reported	429,218,860	326,670,521	601,372,567	1,046,773,307	56,213,112	178,822,767	60,057,192	–	–	–	2,699,128,326
Purchase Price Allocation Adjustment	24,679,917	–	(4,105,168)	(1,958,690)	7,650	206,003	(6,244,929)	–	–	–	12,584,783
Balances at January 1, as restated	453,898,777	326,670,521	597,267,399	1,044,814,617	56,220,762	179,028,770	53,812,263	–	–	–	2,711,713,109
Depreciation for the period	1,004,099,431	298,613,778	142,377,736	141,705,421	2,941,497	31,873,450	18,006,521	–	–	–	1,639,617,834
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
Balances at June 30, 2010	1,457,998,208	625,284,299	739,685,566	1,198,623,884	56,566,035	206,225,613	71,551,807	–	–	–	4,355,935,412
Net book value	₱31,361,927,338	₱13,782,696,313	₱5,447,680,903	₱2,507,459,476	₱18,497,349	₱234,058,803	₱363,146,126	₱333,647,802	₱87,361,264	₱2,855,724,451	₱56,992,199,825

In 2011, after the five-month shutdown since November 22, 2010, the Northern Negros Geothermal Plant was operated during April to June to complete the geothermal resource testing. Based on the subsequent technical assessment, the Company has come to a conclusion that the sustainable operation of NNGP is only at 5-10 MW.

The Company evaluates the assets on a CGU basis for any indication of impairment at each reporting date. The Company assessed that there continues to be an indication of impairment for NNGP and based on its impairment testing, recognized an impairment loss of ₱4,998.6 million in June 2011 net of deferred tax of ₱499.9 million. The impairment loss is included under the electricity segment (Notes 4 and 16).

FCRS and Production Wells include the present value of the estimated rehabilitation costs of steam field facilities of the Parent Company at the end of the contract period amounting to ₱279.2 million and the provision for rehabilitation costs under Other long-term liabilities amounting to ₱351.6 million. Total depreciation cost amounting to ₱51.8 million and ₱11.8 million were capitalized under Construction in-Progress which relates to ongoing drilling of wells for the six-month periods ended June 30, 2011 and 2010, respectively.”

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

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Restated, Unaudited)
Property, plant and equipment	₱1,767,876,669	₱3,348,813,473	₱1,639,617,834
Water rights (Note 9)	48,095,578	96,191,157	48,095,578
	₱1,815,972,247	₱3,445,004,630	₱1,687,713,412
Operating expenses	₱1,688,766,792	₱3,236,938,415	₱1,591,048,246
General and administrative	127,205,455	208,066,215	96,665,166
	₱1,815,972,247	₱3,445,004,630	₱1,687,713,412

9. Goodwill and Water Rights

	June 30, 2011 (Unaudited)		
	Water Rights	Goodwill	Total
Cost			
Balances at January 1, 2011 and June 30, 2011	₱2,404,778,918	₱2,535,051,530	₱4,939,830,448
Accumulated Amortization			
Balances at January 1, 2011	396,788,522	–	396,788,522
Amortization (Note 8)	48,095,578	–	48,095,578
Balances at June 30, 2011	444,884,100	–	444,884,100
Net Book Value	₱1,959,894,818	₱2,535,051,530	₱4,494,946,348

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

	June 30, 2010 (Restated, Unaudited)		
	Water Rights	Goodwill	Total
Cost:			
Balances at January 1, 2010, as previously reported	₱2,404,778,918	₱293,316,082	₱2,698,095,000
Purchase price allocation adjustment	–	2,241,735,448	2,241,735,448
Balances at January 1, 2010, as restated and June 30, 2010	2,404,778,918	2,535,051,530	4,939,830,448
Accumulated amortization			
Balance at January 1, 2010	300,597,365	–	300,597,365
Amortization (Note 8)	48,095,578	–	48,095,578
Balance at June 30, 2010	348,692,943	–	348,692,943
Net book value	₱2,056,085,975	₱2,535,051,530	₱4,591,137,505

The Company performs impairment review on goodwill, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. As of June 30, 2011, there was no indication of impairment that would warrant an interim impairment assessment.

10. Other Noncurrent Assets

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Unaudited)
Input value-added tax (VAT)	₱1,824,957,277	₱1,105,783,755	₱833,801,652
Tax credit certificates	1,038,884,446	1,338,884,446	1,338,884,446
Input VAT claims for refund	681,799,381	681,799,381	513,785,638
Deferred Charges - Leasehold Improvements	113,453,767	-	-
Special deposits and funds	98,513,069	112,373,475	48,814,036
Long-term receivables	51,470,083	36,567,506	34,168,805
Prepaid expenses	13,584,248	15,532,903	34,100,349
Others	94,126,422	61,956,464	68,632,470
	3,916,788,693	3,352,897,930	2,872,187,396
Less allowance for doubtful accounts	226,401,941	114,356,503	60,085,237
	₱3,690,386,752	₱3,238,541,427	₱2,812,102,159

11. Trade and Other Payables

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Unaudited)
Accounts payable	₱4,238,338,859	₱3,931,068,832	₱2,775,056,719
Accrued interest and guarantee fees	1,211,742,356	889,806,777	908,401,582
Withholding and other taxes payable	215,087,460	257,346,704	113,458,277
Deferred credits	184,725,515	6,446,576	101,588,847
SSS and other contributions payable	2,361,164	2,722,658	3,033,497
Other payables	85,627,309	36,100,139	191,409,081
	₱5,937,882,663	₱5,123,491,686	₱4,092,948,003

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

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

12. Royalty Fee Payable

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Unaudited)
Due to DOE and Local Government Units (LGUs)	₱429,643,462	₱554,783,572	₱708,807,965
Less current portion	295,914,471	254,155,199	302,911,397
Noncurrent portion	₱133,728,991	₱300,628,373	₱405,896,568

13. Long-term Debts

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Unaudited)
US Dollar-denominated debts	₱20,289,811,386	₱7,427,718,353	₱7,877,811,635
Japanese Yen-denominated debts	62,936,059	4,817,288,760	4,918,466,211
Peso-denominated debts	28,572,188,326	28,960,940,735	29,382,230,930
	48,924,935,771	41,205,947,848	42,178,508,776
Less current portion	1,833,048,809	1,527,248,370	1,354,681,567
Noncurrent portion	₱47,091,886,962	₱39,678,699,478	₱40,823,827,209

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

On May 20, 2011, the Parent Company signed a 15-year US\$75.0 million loan facility with the International Finance Corporation (IFC) to fund its medium-term capital expenditures program. As of June 30, 2011, the loan facility was still undrawn.

On June 10, 2011, the Parent Company prepaid the OECF 19th Yen loan balance of JPY218.6 million (₱117.4 million) which will mature in December 2024 while the final amortization of the OECF 9th Yen loan of JPY207.7 million (₱111.5 million) was settled on June 17, 2011.

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

The Company's foreign-currency denominated long-term debts were translated into Peso based on the prevailing foreign exchange rates at financial reporting date (USD1=JPY80.743: USD1=PHP43.330 as of June 30, 2011, USD1=JPY81.659: USD1=PHP43.840 as of December 31, 2010 and USD1= JPY89.381: USD1=PHP46.370 as of June 30, 2010).

14. Equity

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

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

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

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

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

The Parent Company had 705 common stockholders and one preferred stockholder as of June 30, 2011, 715 common stockholders and one preferred stockholder as of December 31, 2010 and 712 common stockholders and one preferred stockholder as of June 30, 2010.

On May 9, 2011, the SEC approved the amendment of the articles of incorporation of FG Hydro.

15. Purchased Services and Utilities

	June 30, 2011 (Unaudited)	June 30, 2010 (Unaudited)
Purchased services	₱386,525,543	₱135,124,779
Professional and technical services	367,737,711	424,719,046
Purchased utilities	188,667,251	7,013,598
Hauling and handling costs	35,718,234	82,125,769
Rig mobilization charges	33,778,942	28,339,774
Contractual personnel costs	28,272,290	77,797,902
Others	6,558,412	6,645,424
	₱1,047,258,383	₱761,766,292

16. Operations and Maintenance Expenses	June 30, 2011 (Unaudited)	June 30, 2010 (Unaudited)
Impairment loss on property, plant and equipment of NNGP (Note 8)	₱4,998,608,008	₱–
Personnel costs	766,110,652	858,786,490
Repairs and maintenance	572,803,005	648,956,710
Rental, insurance and taxes	521,581,712	453,035,504
Parts and supplies issued	486,675,072	323,385,154
Royalty fees	103,958,994	104,632,328
Business and related expenses	102,544,161	78,215,401
Proceeds from insurance claims	–	(128,648,394)
Reduction in allowance for impairment of parts and supplies	–	(149,570)
	₱7,552,281,604	₱2,338,213,623

17. General and Administrative Expenses	June 30, 2011 (Unaudited)	June 30, 2010 (Unaudited)
Personnel costs	₱712,667,251	₱569,364,595
Purchased services and utilities	434,284,903	553,374,496
Rental, insurance and taxes	277,088,358	589,322,080
Provision for doubtful accounts (Notes 6 and 10)	211,273,157	16,267,362
Provision of allowance for impairment of parts and supplies inventories (Note 7)	163,327,141	12,715,820
Business and related expenses	149,460,869	114,193,185
Parts and supplies issued	87,564,989	78,791,125
Repairs and maintenance	31,268,632	37,620,800
	₱2,066,935,300	₱1,971,649,463

18. Foreign Exchange Gains (Losses)	June 30, 2011 (Unaudited)	June 30, 2010 (Unaudited)
Foreign exchange gains (losses) on long-term loans	₱702,295,276	(₱219,044,433)
Foreign exchange losses on other accounts	(465,461,336)	(90,658,071)
	₱236,833,940	(₱309,702,504)

This account pertains to foreign exchange gains adjustments realized on repayment of loans and restatement of outstanding balances of foreign currency-denominated loans, short-term placements and cash in banks. The following table shows the exchange rates used to restate outstanding balances at financial reporting dates:

Currency	Equivalent to US\$1.00		
	June 30, 2011	December 31, 2010	June 30, 2010
Japanese Yen	80.743	81.659	89.381
Philippine Peso	43.330	43.840	46.370

19. Interest Expense

	June 30, 2011 (Unaudited)	June 30, 2010 (Unaudited)
Interest on long-term debts including amortization of transaction costs	₱2,244,779,424	₱1,756,563,340
Interest accretion of provision for rehabilitation costs	47,208,390	–
Interest accretion of “Day 1” gain	18,136,486	28,424,793
Interest on liability from litigation	3,905,553	–
Interest on loans payable	896,375	192,439
	₱2,314,926,228	₱1,785,180,572

20. Interest Income

	June 30, 2011 (Unaudited)	June 30, 2010 (Unaudited)
Interest on placements	₱198,155,762	₱211,023,169
Interest on overdue accounts/others	16,180,875	7,015,573
Interest on savings/current accounts	3,536,497	275,393
Accretion of “Day 1 loss” on NPC receivable	–	6,007,914
	₱217,873,134	₱224,322,049

21. Miscellaneous Income (Charges)

	June 30, 2011 (Unaudited)	June 30, 2010 (Unaudited)
“Day 1” loss on security deposit	(₱6,078,723)	₱–
Recovery of impairment loss on input VAT claims	–	1,638,885,544
Others	18,537,737	(8,327,210)
	₱12,459,014	₱1,630,558,334

22. Earnings (Loss) Per Share (EPS)

The EPS amounts were computed as follows:

	June 30, 2011 (Unaudited)	June 30, 2010 (Restated, Unaudited)
(a) Net income (loss) attributable to equity shareholders of the Parent Company	(₱2,331,092,842)	₱5,114,264,208
Less dividends on preferred shares	7,500,000	7,500,000
(b) Net income attributable to common shareholders of the Parent Company	(₱2,338,592,842)	₱5,106,764,208
(c) Weighted average number of common shares outstanding	18,750,000,000	18,750,000,000
Basic/diluted earnings (loss) per share (b/c)	(₱0.125)	₱0.272

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

23. 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 six-month periods ended June 30, 2011 and 2010.

a. First Balfour, Inc. (First Balfour)

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

As of June 30, 2011, the outstanding balance of ₱56.51 million recorded under "Due to related parties" account pertained to the accrued progress billings of ₱54.60 million and payment retention of ₱8.63 million until such time the work acceptance certificate is issued.

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.

c. IFC

The Parent Company entered into a loan agreement with the IFC, a shareholder of the Parent Company, on November 27, 2008 for US\$100.0 million or its peso equivalent of ₱4.1 billion. IFC has approximately 5% ownership interest in the Parent Company. On January 7, 2009, the Parent Company opted to draw the loan in peso and received the proceeds amounting to ₱4,048.8 million, net of ₱51.3 million front-end fee. As of June 30, 2011, the outstanding loan amounted to ₱4,038.2 million, net of unamortized transaction costs of ₱61.9 million, is included under the “Long-term debts” account in the interim consolidated statement of financial position.

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

d. Other Related Parties

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

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

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

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

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

Thermaprime Well Services, Inc. (Thermaprime) is a subsidiary of First Balfour, a wholly owned subsidiary of First Holdings. As of June 30, 2011, the outstanding amount of ₱67.0 million is included under the “Trade and other payables” account in the interim consolidated statement of financial position.

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

Related Party	Nature of Transaction	Transactions for the six-month periods ended June 30		Net amount Due to Related Parties		
		2011	2010	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Unaudited)
First Gen	Interest-bearing advances (payment)	P- (P495,110,934)		P-	P-	P10,103,324
	Consultancy fee	80,795,294	83,294,118	26,931,765	23,600,000	27,911,082
	Interest-free advances	48,952,271	3,922,499	97,425,988	247,744,841	-
First Balfour, Inc.	Steam augmentation contract in Leyte	99,380,895	42,964,455	56,509,595	59,883,402	17,233,726
Buang Private Power Corp.	Interest-free advances	-	5,551,950	-	-	5,551,970
Bayantel	Purchase of services and utilities	6,403,501	2,277,278	3,063,189	3,169,012	1,423,159
First Gas Holdings Corporation	Interest-free advances	482,600	272,900	-	1,199,850	847,000
First Gas Power Corporation	Interest-free advances	409,913	3,305	322,546	45,385	44,229
FPRC	Purchase of services and utilities	1,496,636	-	-	-	-
Lopez Group Foundation, Inc.	Interest-free advances	318,400	-	-	-	-
Lopez Holdings Corporation	Interest-free advances	-	26,400	-	-	-
Sky Cable	Purchase of services and utilities	25,182	-	-	-	-
Red Vulcan	Interest-free advances	-	(11,059)	-	7,994	-
		238,264,692	(356,809,088)	184,253,083	335,650,484	63,114,490
Thermaprime	Work fee allocation	328,428,450	-	67,000,000	-	-
IFC	Interest-bearing loans	3,878,502	-	4,038,145,409	4,034,266,907	4,170,132,778
		P570,571,644	(P356,809,088)	P4,289,398,492	P4,369,917,391	P4,233,247,268

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

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

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

24. Explanatory Comments about the Seasonality or Cyclical of Interim Operations

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

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

Except for the Parent Company's issuance of the US\$300.0 million 6.50% Notes due 2021 and prepayments of OECF Yen loans (9th, 19th and 21st) as disclosed in Notes 13 and 27, there are no other assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the current period.

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

There are no significant changes in estimates of amounts during the current period as well as in the comparative period in 2010 with the exception of the recognition of provision for rehabilitation costs as disclosed in Notes 8 and 19.

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

Except for the Parent Company's issuance of a 10-year US\$300.0 million Notes (₱13,350.0 million) at 6.50% interest per annum on January 20, 2011, prepayments of OECF Yen loans (9th, 19th and 21st) and the refinancing of the US\$175.0 million syndicated term loan facility as disclosed in Note 13 there are no other issuances, repurchases and repayments of debt and equity securities during the six-month period ended June 30, 2011.

28. Dividend Declarations

Cash Dividends

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

On March 15, 2011, the BOD of the Parent Company approved the following cash dividends in favor of all stockholders of record as of March 29, 2011 and payable on or before April 22, 2011:

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

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

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

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

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

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

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

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

32. Financial Risk Management Objectives and Policies

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

Overview of the Company's Risk Management

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

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

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

- a. Proactively identifies and manages the key exposures of the Company to protect corporate assets and profits by identifying and preventing risks before they occur. Thus, it helps avoid losses which can impair the operations or financial position of the Company in case of fortuitous events;

- b. Identifies and exploits areas of “risk-based advantage”;
- c. Provides management at all levels with the required information to make informed decisions on issues critical to the success of the business and its projects;
- d. Establishes the accountability of risk owners in the management of risks;
- e. Provides balance in the management of risks and an objective basis for allocating resources;
- f. Ensures that efforts and initiatives are well-coordinated so that the Company does not manage risks in silo;
- g. Monitors the implementation and effectiveness of the risk treatment options;
- h. Ensures compliance with the policies and processes that are established to manage risks; and
- i. Reduces the reliance on increasingly expensive insurance protection. Insurance may provide the financial relief in case of loss. However, certain risks are not insurable, while some though insurable, may be too costly and uneconomical to insure.

Risk Assessment

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

Risk Treatment

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

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

Financial Risk Management Policy

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

Credit Risk

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

With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents excluding cash on hand, other receivables, AFS investments and derivatives assets, the Company’s exposure to credit risk arises from default of the counterparty,

with a maximum exposure equal to the carrying amount of these instruments before taking into account any collateral and other credit enhancements.

	June 30, 2011	December 31, 2010	June 30, 2010
Loans and receivables:			
Cash and cash equivalents (excluding cash on hand)	₱10,822,984,258	₱6,152,532,452	₱6,666,648,952
Trade receivables	2,430,037,012	4,418,426,404	5,329,515,238
Loans and notes receivables	56,370,413	61,297,851	64,968,364
Non-trade receivables	54,110,493	73,070,811	80,065,117
Advances to employees	30,148,448	30,389,460	32,241,451
Employee receivables	24,367,295	37,757,241	38,476,416
Long-term receivables	918,278	1,000,000	-
Royalty fee chargeable to NPC	-	-	1,529,568
AFS investments:			
Debt investments	685,593,258	707,524,992	747,994,934
Equity investments	20,756,197	18,166,353	17,601,049
Financial assets at FVPL:			
Derivative assets	63,203,930	-	39,894
	₱14,188,489,582	₱11,500,165,564	₱12,979,080,983

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, 2011 and 2010 and December 31, 2010:

	June 30, 2011						Total
	Neither Past Due nor Impaired	Less than 30 Days	Past Due but Not Impaired 31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Past Due and Impaired	
<i>(In Thousand Pesos)</i>							
Loans and receivables:							
Cash and cash equivalents (excluding cash on hand)	₱10,822,984	₱-	₱-	₱-	₱-	₱-	₱ 10,822,984
Trade receivables	1,238,381	708,705	471,616	11,335	-	129,835	2,559,872
Loans and notes receivables	56,371	-	-	-	-	-	56,371
Employee receivables	24,367	-	-	-	-	-	24,367
Non-trade receivables	17,470	-	36,640	-	-	-	54,110
Advances to employees	30,148	-	-	-	-	-	30,148
Long-term receivables	918	-	-	-	-	50,552	51,470
AFS investments:							
Debt investments	685,593	-	-	-	-	-	685,593
Equity investments	20,756	-	-	-	-	-	20,756
Financial assets at FVPL:							
Derivative assets	63,204	-	-	-	-	-	63,204
Total	₱12,960,192	₱708,705	₱508,257	₱11,335	₱-	₱180,387	₱14,368,875

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

June 30, 2010							
	Neither Past Due nor Impaired	Past Due but Not Impaired			Over 3 Years	Past Due and Impaired	Total
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years			
<i>(In Thousand Pesos)</i>							
Loans and receivables:							
Cash and cash equivalents (excluding cash on hand)	₱6,666,649	₱-	₱-	₱-	₱-	₱-	₱6,666,649
Trade receivables	4,297,931	275	1,022,841	8,468	-	25,789	5,355,304
Loans and notes receivables	64,968	-	-	-	-	-	64,968
Employee receivables	38,476	-	-	-	-	-	38,476
Non-trade receivables	63,014	-	3,306	12,820	925	-	80,065
Advances to employees	5,625	-	11,555	15,061	-	-	32,241
Royalty Fee Chargeable to NPC	1,530	-	-	-	-	-	1,530
Long-term receivables	-	-	-	-	-	33,928	33,928
AFS investments:							
Debt investments	747,995	-	-	-	-	-	747,995
Equity investments	17,601	-	-	-	-	-	17,601
Financial assets at FVPL:							
Derivative assets	40	-	-	-	-	-	40
Total	₱11,903,829	₱275	₱1,037,702	₱36,349	₱925	₱59,717	₱13,038,797

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, 2011 and 2010 and December 31, 2010, financial assets categorized as neither past due nor impaired are viewed by management as high grade, considering the collectability of the

receivables and the credit history of the counterparties. Financial assets that are classified as past due but not impaired are considered as standard grade since based on management's assessment as of June 30, 2011 there is an assured collection on these accounts, thus no provision for doubtful accounts has been recognized thereof.

Foreign Currency Risk

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

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

To mitigate further the effects of foreign currency risk, the Company will prepay, refinance or hedge its foreign currency denominated loans, whenever deemed feasible. In 2011, the Company entered into derivative contracts with various counterparties which has various maturities 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, 2011 and 2010 and December 31, 2010, are as follows:

	June 30, 2011 (Unaudited)			June 30, 2010 (Unaudited)		
	Original Currency			Original Currency		
	Japanese Yen	US Dollar	Peso Equivalent ¹	Japanese Yen	US Dollar	Peso Equivalent ²
Financial Assets						
Loans and receivables:						
Cash equivalents	–	138,592,260	6,005,202,626	–	16,704,494	774,587,378
Cash on hand and in banks	–	4,111,631	178,156,971	–	4,048,892	187,747,131
Trade and other receivables	–	3,844,202	166,569,264	–	4,990,494	231,409,215
AFS investments:						
Government debt securities	–	15,822,600	685,593,258	–	16,131,010	747,994,934
Financial assets at FVPL:						
Derivative assets	–	260,415	11,283,802	–	860	39,894
Total financial assets	–	162,631,108	7,046,805,921	–	41,875,750	1,941,778,552
Current Financial Liabilities						
Liabilities at amortized cost:						
Trade and other payables	83,869,656	16,002,232	756,266,984	–	2,428,779	112,622,464
Accrued interest and guarantee fees	393,129,203	10,219,768	653,792,209	460,369,571	1,561,485	311,241,356
Current portion of long-term debts	75,758,477	–	40,655,184	1,015,379,660	–	526,769,166
Due to related parties	–	–	–	–	218,016	10,109,427
Financial assets at FVPL:						
Derivative liabilities	–	36,428	1,578,425			
Total current financial liabilities	552,757,336	26,258,428	1,452,292,802	1,475,749,231	4,208,280	960,742,413
Noncurrent Financial Liability						
Liability at amortized cost:						
Long-term debts - net of current portion	41,519,062	468,262,437	20,312,092,260	8,465,314,539	169,890,266	12,269,535,102
Total financial liabilities	594,276,398	494,520,865	21,764,385,062	9,941,063,770	174,098,546	13,230,277,515

¹USD1=JPY80.743 and USD1= P43.33 as of June 30, 2011 ²USD1=JPY89.3810 and USD1= P46.37 as of June 30, 2010

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

¹USD1=JPY81.659 as of December 31, 2010, USD1=SEK6.81 and USD1= ₱43.840 as of December 31, 2010

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

June 30, 2011 (Unaudited)		
	Foreign Currency Appreciates (Depreciates) By	Effect on Loss Before Income Tax
USD	10% or PHP4.333 (10% or PHP4.333)	₱1,441,328,989 (1,441,328,989)
JPY	10% or PHP0.05963 (10% or PHP0.04879)	35,434,783 (28,992,095)

December 31, 2010 (Audited)		
	Foreign Currency Appreciates (Depreciates) By	Effect on Income Before Income Tax
USD	10% or PHP4.38 (10% or PHP4.38)	(₱796,663,382) 796,663,382
JPY	10% or PHP0.05965 (10% or PHP0.04881)	(566,012,566) 463,101,190
SEK	10% or PHP0.70957 (10% or PHP0.58055)	(2,821,471) 2,308,476

June 30, 2010 (Unaudited)		
	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)

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

Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates, derivative assets, 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 (loss) before income tax and equity as of June 30, 2011 and 2010 and December 31, 2010. The effect also includes impact of change in interest rates on derivatives.

June 30, 2011 (Unaudited)			
	Increase/Decrease in Basis Points	Effect on Loss Before Income Tax	Effect on Equity
USD	+100 -100	P75,704,355 (76,299,877)	(P15,589,828) 18,759,833
December 31, 2010 (Audited)			
	Increase/Decrease in Basis Points	Effect on Income Before Tax	Effect on Equity
USD	+100 -100	(P76,720,000) 76,720,000	(P19,027,873) 22,130,588

June 30, 2010 (Unaudited)

	Increase/Decrease in Basis Points	Effect on Income Before Income Tax	Effect on Equity
USD	+100	(₱40,566,595)	(₱18,234,977)
	-100	40,567,600	30,699,260
EURO	+100	(6,302)	—
	-100	7,369	—

Interest Rate Risk Table

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

	Interest Rates	Within 1 Year	More than 1 Year but less than 4 Years	More than 4 Years but less than 5 Years	More than 5 Years	Total
June 30, 2011						
(Unaudited)						
Fixed Rate						
OECF	3%-5.7%	₱2,252	₱3,307	₱875	₱2,966	₱9,400
IFC	7.40%/7.90%	329,298	825,555	212,064	769,456	2,136,373
PNB & Allied	9.025%	431,232	1,076,563	271,891	541,581	2,321,267
FRCN Series 1	8.37%	179,471	235,708	—	—	415,179
FRCN Series 2	9.4%	422,450	868,716	115,562	23,087	1,429,815
FRCN Series 3	8.43%	102,538	134,668	—	—	237,206
Public Bonds Series 1	8.64%	734,553	2,203,659	—	—	2,938,212
Public Bonds Series 2	9.33%	326,645	979,934	326,645	163,322	1,796,546
USD300M Notes	6.50%	844,935	2,534,805	844,935	4,224,675	8,449,350
Floating Rate						
USD 175M Syndicated Club Loan	1.75% + Libor	153,913	395,274	96,195	80,594	725,976

	Interest Rates	Within 1 Year	More than 1 year but less than 4 years	4-5 Years	More than 5 Years	Total
December 31, 2010						
(Audited)						
Fixed Rate						
OECF	3%-5.7%	₱10,371,578	₱18,488,771	₱4,992,596	₱21,212,798	₱55,065,743
JBIC(b) 21st yen	2.3% & 2.7%	119,136,041	313,725,243	89,806,538	506,205,123	1,028,872,945
PNB and Allied Bank	9.03% 7.40%	442,550,903 328,398,611	1,135,576,892 875,164,931	295,004,688 224,284,236	670,476,024 872,275,000	2,543,608,507 2,300,122,778
IFC						
FRCN Series 1	8.37%	196,443,538	320,569,780	—	—	517,013,318
FRCN Series 2	9.40%	434,119,972	985,419,672	162,243,975	69,768,715	1,651,552,334
FRCN Series 3	8.43%	112,234,764	183,152,239	—	—	295,387,003

(Forward)

	Interest Rates	Within 1 Year	More than 1 year but less than 4 years	4-5 Years	More than 5 Years	Total
Peso Public Bonds						
Series 1	8.64%	₱734,553,000	₱2,570,935,500	₱-	₱-	₱3,305,488,500
Series 2	9.33%	326,644,500	1,143,255,750	326,644,500	163,322,250	1,959,867,000
Floating Rate						
USD 175M						
Syndicated Term Loan	3.25% + Libor	306,846,243	460,269,365	-	-	767,115,608

	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						
(Unaudited)						
Fixed Rate						
OECF	3%-5.7%	₱35,181	₱13,630	₱10,672	₱22,848	₱82,331
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
FRCN Series 1	8.37%	212,327	321,360	103,294	-	636,981
FRCN Series 2	9.4%	443,209	801,663	517,336	142,713	1,904,921
FRCN 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
Floating Rate						
USD 175M						
Syndicated Club Loan	3.25% + Libor	324,554	649,109	-	-	973,663

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, 2011 and 2010 and December 31, 2010.

June 30, 2011 (Unaudited)						
On demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousand Pesos)</i>						
AFS Investments:						
Debt investments	₱685,593	₱-	₱-	₱-	₱-	₱685,593
Loans and receivables:						
Cash equivalents	-	10,315,779	-	-	-	10,315,779
Total	₱685,593	₱10,315,779	₱-	₱-	₱-	₱11,001,372

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

June 30, 2010 (Unaudited)						
On demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
<i>(In Thousand Pesos)</i>						
AFS 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

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

June 30, 2011 (Unaudited)						
On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
<i>(In Thousand Pesos)</i>						
Liabilities at amortized cost:						
Accounts payable	₱-	₱3,749,098	₱-	₱-	₱-	₱3,749,098
Accrued interest and guarantee fees	270,780	738,948	202,014	-	-	1,211,742
Other current liabilities	-	1,741	-	-	-	1,741
Due to related parties	184,253	-	-	-	-	184,253
Royalty fee payable	-	131,410	87,500	175,000	136,573	530,483
Long-term debts	-	640,673	926,711	2,894,839	32,527,560	32,087,473
Financial Liabilities at FVPL:						
Derivative liabilities	-	13,084	26,143	-	-	39,227
Total	₱455,033	₱5,274,953	₱1,242,368	₱3,069,839	₱32,664,133	₱32,087,473
						₱74,793,800

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

June 30, 2010 (Unaudited)							
	On Demand	Less than 3 Months	3 to 6 Months	>6 to 12 Months	>1 to 5 Years	More than 5 Years	Total
<i>(In Thousand Pesos)</i>							
Liabilities at amortized cost:							
Accounts payable	₱-	₱2,388,033	₱-	₱-	₱-	₱-	₱2,388,033
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 debts	-	804,524	1,145,257	5,096,195	40,155,433	10,956,308	58,157,717
Total	₱331,185	₱3,803,923	₱1,453,031	₱5,271,195	₱40,679,861	₱10,956,308	₱62,495,503

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, 2011	Level 1	Level 2	Level 3	At Cost
Financial assets at FVPL-					
Derivative assets	₱63,203,930	₱-	₱63,203,930	₱-	₱-
AFS investments:					
Debt investments	685,593,258	685,593,258	-	-	-
Equity investments	20,756,197	20,681,647	-	-	74,550

	December 31, 2010	Level 1	Level 2	Level 3	At Cost
AFS investments:					
Debt investments	₱707,524,992	₱707,524,992	₱-	₱-	₱-
Equity investments	18,166,353	18,091,803	-	-	74,550

	June 30, 2010	Level 1	Level 2	Level 3	At Cost
Financial assets at FVPL-					
Derivative assets	₱39,894	₱-	₱39,894	₱-	₱-
AFS investments:					
Debt investments	747,994,934	747,994,934	-	-	-
Equity investments	17,601,049	17,526,499	-	-	74,550

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

Financial Assets and Financial Liabilities

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

	June 30, 2011 (Unaudited)		June 30, 2010 (Unaudited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱10,900,365,601	₱10,900,365,601	₱6,671,248,993	₱6,671,248,993
Trade receivables	2,430,037,012	2,430,037,012	5,329,515,238	5,329,515,238
Loans and notes receivables	56,370,413	56,370,413	64,968,364	64,968,364
Non-trade receivables	54,110,493	54,110,494	80,065,117	80,065,117
Advances to employees	30,148,448	30,148,448	32,241,451	32,241,451
Employee receivables	24,367,295	24,367,295	38,476,416	38,476,416
Long-term receivables	918,278	873,840	–	–
Royalty fee chargeable to NPC	–	–	1,529,568	1,529,568
AFS investments:				
Debt investments	685,593,258	685,593,258	747,994,934	747,994,934
Equity investments	20,756,197	20,756,197	17,601,049	17,601,049
Financial assets at FVPL:				
Derivative assets	63,203,930	63,203,930	39,894	39,894
	₱14,265,870,925	₱14,265,826,488	₱12,983,681,024	₱12,983,681,024
Financial Liabilities				
Financial liabilities at amortized cost:				
Accounts payable	₱3,749,097,516	₱3,749,097,516	₱2,388,032,560	₱2,388,032,560
Accrued interest and guarantee fees	1,211,742,356	1,211,742,356	908,401,582	908,401,582
Other current liabilities	1,740,917	1,740,917	103,809,909	103,809,909
Due to related parties	184,253,083	184,253,083	63,114,490	63,114,490
Royalty fee payable	429,643,462	432,904,425	708,807,965	727,415,164
Long-term debts	48,924,935,771	53,859,660,280	42,178,508,776	48,250,734,167
Financial Liabilities at FVPL:				
Derivative Liabilities	39,227,456	39,227,456	–	–
	₱54,540,640,561	₱59,478,626,033	₱46,350,675,282	₱52,441,507,872

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

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

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

Trade and Other Receivables, 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 3.49% on June 30, 2011 (2.94% on December 31, 2010 and nil on June 30, 2010).

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

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

Long-term Debts and Royalty Fee Payable. The fair values for the Company's long-term debts are estimated using the discounted cash flow methodology with the applicable rates ranging from 1.19% to 10.89%, 2.18% to 9.73%, and 0.16% to 9.44% on June 31, 2011, December 31, 2010 and June 30, 2010, respectively. On the other hand, the fair value of the newly acquired peso loan of FG Hydro is discounted using discount rates ranging from 5.47% to 8.13% on June 30, 2011.

Fair values of royalty fee payable are determined using discount rates ranging from 6.20% to 7.23%, from 3.05% to 4.94% and from 4.12% to 4.88%, as of June 30, 2011, December 31, 2010 and June 30, 2010, respectively.

The Company classifies its financial instruments in the following categories.

June 30, 2011 (Unaudited)						
	Loans and Receivables	AFS Investments	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousand Pesos)</i>						
Financial Assets						
Cash and cash equivalents	P10,900,366	P-	P-	P-	P-	P10,900,366
Trade receivables	2,430,037	-	-	-	-	2,430,037
Loans and notes receivables	56,370	-	-	-	-	56,370
Non-trade receivables	54,110	-	-	-	-	54,110
Advances to employees	30,148	-	-	-	-	30,148
Employee receivables	24,367	-	-	-	-	24,367
Other long-term receivables	918	-	-	-	-	918
AFS - debt investments	-	685,593	-	-	-	685,593
AFS - equity investments	-	20,756	-	-	-	20,756
Derivative Assets	-	-	63,204	-	-	63,204
Financial Liabilities						
Accounts payable	-	-	-	3,749,098	-	3,749,098
Accrued interest and guarantee fees	-	-	-	1,211,742	-	1,211,742
Other current liabilities	-	-	-	1,741	-	1,741
Due to related parties	-	-	-	184,253	-	184,253
Royalty fee payable	-	-	-	429,643	-	429,643
Long-term debt	-	-	-	48,924,936	-	48,924,936
Derivative liabilities	-	-	-	-	39,227	39,227
Total	P13,496,316	P706,349	P63,204	P54,501,413	P39,227	P40,274,771

December 31, 2010 (Audited)				
	Loans and Receivables	AFS Investments	Liabilities at Amortized Cost	Total
<i>(In Thousand Pesos)</i>				
Financial Assets				
Cash and cash equivalents	₱6,157,925	₱-	₱-	₱6,157,925
Trade receivables	4,418,426	-	-	4,418,426
Loans and notes receivables	61,298	-	-	61,298
Non-trade receivables	73,071	-	-	73,071
Advances to employees	30,389	-	-	30,389
Employee receivables	37,757	-	-	37,757
Other long-term receivables	1,000	-	-	1,000
AFS - debt investments	-	707,525	-	707,525
AFS - equity investments	-	18,166	-	18,166
Financial Liabilities				
Accounts payable	-	-	3,156,018	3,156,018
Accrued interest and guarantee fees	-	-	889,807	889,807
Other current liabilities	-	-	853	853
Short-term loan payable	-	-	175,000	175,000
Due to related parties	-	-	335,650	335,650
Royalty fee payable	-	-	554,784	554,784
Long-term debts	-	-	41,205,948	41,205,948
Total	₱10,779,866	₱725,691	₱46,318,060	₱57,823,617

June 30, 2010 (Unaudited)						
	Loans and Receivables	AFS Investments	Financial Assets at FVPL	Liabilities at Amortized Cost	Financial Liabilities at FVPL	Total
<i>(In Thousand Pesos)</i>						
Financial Assets						
Cash and cash equivalents	₱6,671,249	₱-	₱-	₱-	₱-	₱6,671,249
Trade receivables	5,329,515	-	-	-	-	5,329,515
Loans and notes receivables	64,968	-	-	-	-	64,968
Non-trade receivables	80,065	-	-	-	-	80,065
Advances to employees	32,242	-	-	-	-	32,242
Employee receivables	38,476	-	-	-	-	38,476
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	-	-	-	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 debts	-	-	-	42,178,509	-	42,178,509
Total	₱12,218,045	₱765,596	₱-	₱46,350,676	₱-	₱59,334,317

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

	June 30, 2011 (Unaudited)		June 30, 2010 (Unaudited)	
	Increase (Decrease) Effect on Profit or Loss	Increase (Decrease) Effect on Equity	Increase (Decrease) Effect on Profit or Loss	Increase (Decrease) Effect on Equity
Loans and receivables:				
Interest income on cash in bank	₱3,536,497	₱-	₱275,393	₱-
Interest income on cash equivalents	198,155,762	-	211,023,169	-
Interest income on trade receivables	-	-	6,007,914	-
Interest income on concession receivables	-	-	-	-
Interest on employees receivable	15,045,202	-	163,422	-
Interest Income due from related party	-	-	-	-
Equity investments -				
Net gain (loss) recognized in equity	-	(9,128,585)	-	2,191,654
Debt investments:				
Net gain (loss) recognized in equity	-	(3,811,374)	-	10,337,310
Interest Income on ROP Bonds	-	-	438,905	-
Financial assets at FVPL:				
Fair value changes and premium on forward contracts	37,553,046	-	446,597,342	-
Unrealized gain (loss) on fair value changes on currency options	-	-	(9,568,714)	-
Financial liabilities at amortized cost:				
Interest expense on long-term loans	(2,244,779,424)	-	(1,712,768,746)	-
Interest expense on loan payable	(896,375)	-	(43,987,033)	-
Interest expense on royalty payable	(18,136,486)	-	(28,428,575)	-
"Day 1" gain on royalty payable	-	-	-	-
	(₱2,009,521,778)	(₱12,939,959)	(₱1,130,246,923)	₱12,528,964

Capital Management

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

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

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

The Table below shows the Company's debt ratio as at June 30, 2011 and 2010 and December 31, 2010.

	June 30, 2010	December 31, 2010	June 30, 2010
Long-term liabilities	₱48,924,935,771	₱41,205,947,848	₱42,178,508,776
Equity	26,589,052,612	32,238,981,057	33,462,418,814
Debt ratio	64.8%	56.1%	55.8%

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, 2011 and 2010 and nil as of December 31, 2010.

	June 30, 2011		June 30, 2010	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Embedded derivatives - Currency options	₱-	₱-	₱39,894	₱-
Free standing derivatives Currency forwards	63,203,930	39,227,456	-	-
Total derivatives	₱63,203,930	₱39,227,456	₱39,894	₱-
Presented as:				
Current	₱63,203,930	₱39,227,456	₱-	₱-
Noncurrent	-	-	39,894	-
Total derivatives	₱63,203,930	₱39,227,456	₱39,894	₱-

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

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

For the six-month period ended June 30, 2011, the Company entered into a total of twenty seven currency forward contracts. These contracts which include six buy JPY - sell USD foreign currency and twenty one non-deliverable forward (NDF) contracts with various counter-party banks, have notional amounts and average forward rates of JP¥2,441 million and JP¥83.0 and PHP165 million and PHP43.48, respectively. The NDF contracts involves sell USD – buy PHP transactions for onshore banks and buy USD – sell PHP transaction for offshore banks. There was a market to market gain - net of ₱79.9 million as of June 30, 2011.

In 2010, the Company instituted a total of 16 foreign currency forward contracts which all matured on June 24, 2010. These contracts which include two non-deliverable buy yen - sell dollar, 13 deliverable buy yen - sell dollar and a deliverable buy dollar - sell peso forward contracts, have notional amounts and average rates of JP¥3,107 million and JP¥93.5, JP¥22,261 million and JP¥93.43 and US\$12.0 million and ₱46.29, respectively. The total net mark-to-market gain recognized in the December 31, 2010 statement of comprehensive income relative to these forward contracts is ₱446.6 million, with ₱12.5 million and ₱434.1 million attributable to non-deliverable and deliverable contracts, respectively.

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

For the six-month period ended June 30, 2011, the Company has entered into a total of 31 foreign exchange swap contracts with various counter-party banks. These contracts which include five sell JPY-buy PHP, two sell JPY-buy USD and twenty four sell USD-buy PHP on trade date have notional amounts of JP¥12,450 million, JP¥2,075 million and US\$32 million, respectively. There was a market to market loss – net of ₱44.9 million as of June 30, 2011.

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

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

Fair Value Changes of Derivatives

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

Freestanding Derivatives

	June 30, 2011		December 31, 2010		June 30, 2010	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Currency Forwards						
Balance at beginning of year	₱-	₱-	₱-	₱-	₱-	₱-
Net changes in fair value	220,382,780	(229,356,265)	449,477,342	(2,880,000)	437,006,749	(2,880,000)
Settlement	(157,178,850)	190,128,809	(449,477,342)	2,880,000	(437,006,749)	2,880,000
Balance at end of period	₱63,203,930	(₱39,227,456)	₱-	₱-	₱-	₱-

Embedded Derivatives

Derivative Assets	June 30, 2011	December 31, 2010	June 30, 2010
Balance at beginning of year	₱-	₱9,611,022	₱9,611,022
Net changes in fair value of derivatives	-	(9,598,488)	(9,568,714)
Fair value of settled derivatives	-	-	-
Foreign exchange difference	-	(12,534)	(2,414)
Balance at end of year	₱-	₱-	₱39,894

The net changes in fair value of the Company's derivatives for the periods ended June 30, 2011, and 2010, and year-ended December 31, 2010 amounting to ₱9.0 million loss, ₱436.9 million gain, and ₱424.5 million gain and, respectively were taken to the "Derivatives gain (loss)" account in the consolidated statements of income.

33. Restatement of GCGI's Financial Statements

The valuation of the Palinpinon and Tongonan Geothermal Power Plants, which were acquired by the GCGI, including the identification and valuation of any other identifiable assets was finalized in September 2010. Thus, the interim condensed consolidated financial statements as of and for the period ended June 30, 2010 reflect the final fair values of the net assets acquired based on the purchase price allocation.

The restatement was also due to the use of the 10% tax rate, instead of the 30% RCIT, in the determination of the deferred tax assets since the management believes that the carry forward benefit of NOLCO can be utilized when the GCGI is already registered as an RE developer in 2011. The 10% tax rate was used in the September 2010 and December 2010 FS. Below is the impact of the restatement:

Statement of Financial Position	Balances, June 30, 2010		
	As restated	As previously reported	Increase (Decrease)
Property, plant and equipment	₱6,979,186,335	₱9,913,358,356	(₱2,934,172,021)
Parts and supplies inventories	393,076,163	-	393,076,163
Goodwill	2,241,735,448	-	2,241,735,448
Deferred tax assets	291,990,015	113,607,485	178,382,530
Deficit	324,906,207	203,928,327	120,977,880
Statement of Income			
Depreciation expense	₱291,442,059	₱253,748,148	₱37,693,911
Benefit from income tax	41,639,457	113,597,121	(71,957,664)

34. Event After the Financial Reporting Period

On July 1, 2011, the Northern Negros Geothermal Project (NNGP) has been de-commissioned with the completion of the testing of geothermal wells in the Pataan Production Sector. On July 13, 2011, it was concluded that the NNGP power plant can be sustainably operated at 5 to 10 MW.

Annex II

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

Aging of Accounts Receivable

Trade Receivables	Amount
Current	2,517.5
More than 90 days past due	9.8
More than 120 days past due	32.6
Subtotal	2,559.9
Other Receivables	150.3
Total Receivables	2,710.2
Allowance for Doubtful Accounts	(129.8)
Trade and Other Receivables – Net	2,580.4

Breakdown of Liabilities

	2011	2010
A. Current Liabilities		
Loan Payable	-	-
Accounts Payable	4,238.3	2,775.1
Accrued Interest and Other Payables	1,699.5	1,317.9
Income Tax Payable	78.2	52.9
Derivative liability	39.2	-
Due to Related Parties	184.3	63.1
Total	6,239.5	4,209.0
B. Noncurrent Liabilities		
Royalty Fee Payable		
Current	295.9	302.9
Noncurrent	133.7	405.9
Long-term Debt		
Current	1,833.1	1,354.7
Noncurrent	47,091.9	40,823.8
Retirement Benefit Obligation and Other Noncurrent Liabilities	1,939.1	1,714.9
Total	51,293.7	44,602.2
Total Liabilities	57,533.2	48,811.2

Certified true and Correct

Erwin O. Avante

ERWIN O. AVANTE
 Vice President for Corporate Finance

August 12, 2011
 Date Signed

Maribel A. Manlapaz
MARIBEL A. MANLAPAZ
 Comptroller

August 12, 2011
 Date Signed