

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2014**
2. Commission identification number **A1998-18260**
3. BIR Tax Identification No. **202-464-633-000**
4. Exact name of issuer as specified in its charter **FIRST GEN CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization **Philippines**
6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code

3rd Floor Benpres Building, Exchange Road cor. Meralco Ave., Pasig City

8. Issuer's telephone number, including area code **(632) 449-6400**
9. Former name, former address and former fiscal year, if changed since last report **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of September 30, 2014)
Common Stock	3,363,913,757 shares
Bonds	None

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:

The Company's common shares, as well as Series "F" and "G" preferred shares, are listed with the Philippine Stock Exchange, Inc. (PSE).

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 I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Attached to this report as **Annex “A”** is the Corporation's unaudited interim condensed consolidated financial statements as of September 30, 2014 (with comparative audited figures as of December 31, 2013) and for the nine-month periods ended September 30, 2014 and 2013.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Brief Description of the General Nature and Scope of the Business of the Registrant and its Subsidiaries

With the adoption of Philippine Financial Reporting Standard (PFRS) 10, “Consolidated Financial Statements” effective January 1, 2013, which replaces the portion of Philippine Accounting Standard (PAS 27), “Consolidated and Separate Financial Statements”, First Gen Corporation (First Gen or the Parent Company) has made a reassessment of control over Prime Terracota Holdings Corp. (Prime Terracota), which holds an investment in Energy Development Corporation (EDC) through its wholly-owned Red Vulcan Holdings Corporation (Red Vulcan). PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by this accounting standard have required management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were included in PAS 27.

As a result of management's reassessment of control over Prime Terracota based on the new definition of control and the explicit guidance in PFRS 10, First Gen has retrospectively consolidated the financials of Prime Terracota, Red Vulcan, EDC and its subsidiaries (collectively referred to as the Prime Terracota Group) in its 2013 annual consolidated financial statements. The Prime Terracota Group was previously accounted for as an investment in an associate in its 2012 audited consolidated financial statements. As a result of the adoption of PFRS 10, the consolidated financial statements of First Gen and its subsidiaries as of and for the nine-month period ended September 30, 2013 have been restated.

First Gen Corporation is engaged in the business of power generation through the following operating companies:

- (i) First Gas Power Corporation (FGPC) which operates the 1,000 MW Santa Rita natural gas-fired power plant;
- (ii) FGP Corp. (FGP) which operates the 500 MW San Lorenzo natural gas-fired power plant;
- (iii) FG Bukidnon Power Corporation (FG Bukidnon), which operates the 1.6 MW FG Bukidnon mini-hydroelectric power plant;
- (iv) Energy Development Corporation, with an aggregate installed capacity of approximately 1,159.4 MW of geothermal power; and,
- (v) First Gen Hydro Power Corporation (FG Hydro) which operates the 132 MW Pantabangan-Masiway hydroelectric power plants.

First Gen's indirect 40.0% economic interest in EDC is held through Prime Terracota and Red Vulcan, while it directly owns a 40.0% economic interest in FG Hydro. As of September 30, 2014, the Parent Company also directly and indirectly owns 1.89 billion common shares in EDC, of which 895.2 million common shares are held through its wholly-owned subsidiary, Northern Terracotta Power Corporation (Northern Terracotta). The 1.89 billion common shares are equivalent to a 10.06% economic interest in EDC.

The following discussion focuses on the results of operations of First Gen and its power generating companies. As of September 30, 2014, First Gen's ownership interests in these operating companies are indirectly held through intermediate holding companies, with the exception of FG Hydro where First Gen directly holds a 40.0% economic interest as stated above.

- First Gas Holdings Corporation (FGHC) was incorporated on February 3, 1995 as a holding company for the development of gas-fired power plants and other non-power gas related businesses. The company was 60.0% owned by First Gen and 40.0% owned by Dualcore Holdings Inc. (Dualcore) [formerly BG Consolidated Holdings (Philippines), Inc. (BG)] prior to the acquisition of the non-controlling stake of BG in the natural gas projects. As a result of the transaction, First Gen now effectively owns 100.0% of FGHC. FGHC wholly owns FGPC, the project company of the 1,000 MW Santa Rita Power Plant.

- Unified Holdings Corporation (Unified) was incorporated on March 30, 1999 as the holding company of First Gen's 60.0% equity share in FGP, the project company of the 500 MW San Lorenzo Power Plant. First Gen owns 100.0% of Unified.
- On May 30, 2012, the Parent Company, through its wholly-owned subsidiary Blue Vulcan Holdings Corporation (Blue Vulcan), successfully acquired from BG Asia Pacific Holdings Pte. Limited, a member of the BG Group, the entire outstanding capital stock of Bluespark Management Limited (Bluespark) [formerly Lisbon Star Management Limited]. Bluespark's wholly owned subsidiaries namely, Goldsilk Holdings Corp. (Goldsilk) [formerly Lisbon Star Philippines Holdings, Inc.], Dualcore, and Onecore Holdings Inc. (Onecore) [formerly BG Philippines Holdings, Inc.] owned 40.0% of the outstanding capital stock of FGHC, FGP, and First NatGas Power Corporation (FNPC) (collectively referred to as the "First Gas Group"). Following the acquisition of Bluespark, the Parent Company now beneficially owns 100.0% of the First Gas Group through its intermediate holding companies. The net consideration paid by Blue Vulcan for the 40.0% equity interest amounted to \$360.0 million.
- First Gen Renewables, Inc. (FGRI), formerly known as First Philippine Energy Corporation, was established on November 29, 1978. It is tasked to develop prospects in the renewable energy market. On June 17, 2014, the Philippine Securities and Exchange Commission (SEC) approved the Plan and Articles of Merger between FGRI and Bluespark that was executed on April 29, 2014 following the majority vote of the board of directors and by the vote of the stockholders owning and representing more than two-thirds of the outstanding capital stock of constituent corporations on April 24, 2014. As a result of the merger, FGRI becomes the surviving corporation and is now 99.1% effectively owned by Blue Vulcan. FGRI now effectively owns 40.0% voting and economic interest in Santa Rita and San Lorenzo Plants. Prior to the merger, FGRI was a wholly-owned subsidiary of First Gen.

FG Bukidnon, a wholly-owned subsidiary of FGRI, was incorporated on February 9, 2005. Upon conveyance of First Gen in October 2005, FG Bukidnon took over the operations and maintenance of the FG Bukidnon Hydroelectric Power Plant. The run-of-river plant consists of two 800-kW turbine generators that use water from the Agusan River to generate electricity. It is connected to the local distribution grid of the Cagayan Electric Power & Light Company, Inc. via the National Grid Corporation of the Philippines (NGCP) line.

- Prime Terracota was incorporated on October 17, 2007 as the holding company of Red Vulcan. Red Vulcan was incorporated on October 5, 2007 as the holding company for First Gen's 60.0% voting and 40.0% economic stake in EDC.

On November 22, 2007, First Gen, through Red Vulcan, was declared the winning bidder for Philippine National Oil Company and EDC Retirement Fund's remaining shares in EDC, which then consisted of 6.0 billion common shares and 7.5 billion preferred shares. Such common shares represented a 40.0% economic interest in EDC while the combined common and preferred shares represented 60.0% of the voting rights in EDC. As of September 30, 2014, EDC is the Philippines' largest producer of geothermal energy, operating 12 geothermal power plants in the five geothermal service contract areas where it is principally involved in: (i) the production of geothermal steam for sale to subsidiaries; and, (ii) the generation and sale of electricity through EDC-owned geothermal power plants to NPC and various offtakers.

Prime Terracota is the effective 60.0% voting and 40.0% economic owner of EDC through its subsidiary Red Vulcan. With the issuance of Class "B" voting preferred shares by Prime Terracota to the Employees' Retirement Plan of Lopez Inc. (Lopez Inc. Retirement Fund or LIRF) and Quialex Realty Corporation (QRC) on May 12, 2009, First Gen's voting interest in Prime Terracota was reduced to 45.0%, with the balance taken up by LIRF (40.0%) and QRC (15.0%). This transaction triggered the deconsolidation of the Prime Terracota Group in First Gen's consolidated financial statements effective from May 2009 until December 2012. However, as stated above, the adoption of PFRS 10 effective January 1, 2013 has required management to reassess the control over Prime Terracota based on the new definition of control and the explicit guidance in PFRS 10. The reassessment has caused the retrospective consolidation of Prime Terracota Group to First Gen effective January 1, 2013. On May 20, 2014, First Gen purchased the 31.0 million Class "B" voting preferred shares owned by LIRF in Prime Terracota. As a result of this transaction, First Gen's voting interest in Prime Terracota increased from 45.0% to 73.4% and First Gen's effective voting interest in EDC likewise increased from 33.6% to 50.7%.

- FG Hydro was incorporated on March 13, 2006 as a wholly-owned subsidiary of First Gen. On September 8, 2006, FG Hydro emerged as the winning bidder for the then 100 MW Pantabangan and the 12 MW Masiway Hydroelectric Power Plants (PMHEPP). The then 112 MW PMHEPP was transferred to FG Hydro on November 18, 2006, representing the first major generating asset of NPC to be successfully transferred to the private sector. On October 15, 2008, First Gen's Board of Directors approved the sale of 60.0% of FG Hydro to EDC and the divestment was completed in November 2008. As a result of the divestment, First Gen's direct voting interest in FG Hydro was reduced to 40.0%. Moreover, the completion of the rehabilitation and upgrade project of Pantabangan hydroelectric power plant's Units 1 and 2 in 2010 increased the power generation capacity of PMHEPP by 20 MW to 132 MW.
- AlliedGen Power Corp. (AGPC) was incorporated and registered with the SEC on February 14, 2005. AGPC wholly-owns FNPC, the project company of the 414 MW San Gabriel combined-cycle natural gas-fired power plant (San Gabriel), which is being constructed adjacent to the existing natural gas-fired power plants in Batangas City. AGPC is a wholly-owned subsidiary of First Gen.
- Prime Meridian Powergen Corporation (PMPC) was incorporated and registered with the SEC on August 8, 2011. The company is a wholly-owned subsidiary of First Gen. PMPC will be the operating company of the 97 MW Avion Open Cycle natural gas-fired power plant (Avion) that is likewise being constructed in Batangas City.

A. FINANCIAL RESULTS FOR THE PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

Unaudited Consolidated Statements of Income		For the nine-month periods ended September 30	
(Amounts in USD thousands)		2014	2013 <i>(As restated)</i>
Revenues		\$1,426,193	\$1,419,229
Income from before income tax		\$336,207	\$226,266
Net income attributable to Equity Holders of the Parent Company		\$162,820	\$118,236

Unaudited Consolidated Statements of Financial Position		As of the periods ended	
(Amounts in USD thousands)		30-Sep-14 <i>(Unaudited)</i>	31-Dec-13 <i>(Audited)</i>
ASSETS			
Total Current Assets		\$1,291,951	\$1,376,178
Property, plant and equipment – net		2,374,666	2,059,215
Goodwill and Intangible assets		1,201,785	1,226,835
Deferred income tax assets – net		27,507	34,791
Other noncurrent assets		289,791	217,075
Total Assets		\$5,185,700	\$4,914,094
LIABILITIES AND EQUITY			
Total Current Liabilities		\$682,566	\$558,651
Long-term debts – net of current portion		2,435,682	2,492,144
Derivative liabilities – net of current portion		29,067	34,579
Retirement and other post-employment benefits		47,060	40,469
Deferred income tax liabilities – net		22,877	22,946
Other noncurrent liabilities		37,551	35,438
Total Liabilities		3,254,803	3,184,227
Equity Attributable to Equity Holders of the Parent Company		1,506,117	1,350,015
Non-controlling Interests		424,780	379,852
Total Equity		1,930,897	1,729,867
Total Liabilities and Equity		\$5,185,700	\$4,914,094

RESULTS OF OPERATIONS

For the periods ended September 30, 2014 vs. September 30, 2013 results

CONSOLIDATED STATEMENTS OF INCOME

Revenues

Revenues for the first nine months of 2014 increased by \$7.0 million, or 0.5%, to \$1,426.2 million compared to \$1,419.2 million for the same period in 2013. The increase was mainly due to the higher revenue contribution of FGP, EDC, and its subsidiaries. The revenue contribution of FGP increased by \$42.8 million, or 14.9% for the first nine months of 2014, due to its higher fuel revenues and average Net Dependable Capacity (NDC) following Unit 60's return to operation last December 26, 2013 and the installed Thermal Performance Upgrade (TPU) during the major maintenance outage in 4Q 2013. For the first nine months of 2014, EDC's consolidated revenues rose by \$41.9 million, or 8.9%, mainly due to the ₱2.1 billion increase in the revenues of Bacman Geothermal Inc. (BGI), the ₱1.0 billion increase in the EDC Parent's revenues primarily due to the higher contribution from the Mindanao geothermal plants as a result of the steam augmentation activities and the newly-operating 49.4 MW Nasulo plant.

The higher revenues were partially offset by the lower contribution of FGPC mainly due to its lower fuel revenues as a result of the lower dispatch of the gas plant, lower gas prices, and lower electricity generated following the temporary shutdown of Santa Rita's Unit 40 last February 26, 2014 (the "Unit 40 Incident"), which was re-commissioned back in July 2014 after the installation of a new transformer. The increase in revenues was also partially offset by FG Hydro following a \$5.6 million revenue adjustment as a result of the re-computation of spot prices for the November and December 2013 billings as ordered by the Energy Regulatory Commission (ERC) in March 2014. FG Hydro also had lower electricity generation for the first nine months of 2014 as compared to the same period in 2013 due to lower water reservoir levels and lower Irrigation Diversion Requirements (IDR).

Net Income

First Gen's consolidated net income increased by \$98.1 million, or 55.5%, to \$274.9 million for the first nine months of 2014 from \$176.8 million during the same period in 2013. The increase in net income was mainly due to the movements in the contributions of the following subsidiaries:

- higher net income contribution of EDC and its subsidiaries by \$98.8 million, or 73.0%, primarily due to the reversal of provision for impairment of EDC's Northern Negros Geothermal Project (NNGP) plant assets amounting to \$46.4 million, lower unrealized foreign exchange losses booked in 2014, a higher income contribution from BGI, Nasulo and Mindanao, and the one-time gain on sale of its drilling rigs and some inventory materials. These increases were partially offset by the lower contribution of FG Hydro due to the revenue adjustment for its November and December 2013 billings, as well as lower electricity generation;
- higher net income contribution of FGP by \$17.8 million, or 97.5%, due to the higher capacity charge as a result of Unit 60's return to operation and the TPU installed during the major maintenance outage in 4Q 2013, the receipt of partial proceeds from insurance claims, and lower depreciation expense due to the lower cost of turbine blades;
- higher net income contribution of FGPC by \$4.7 million, or 9.8%, mainly due to lower interest expenses by \$2.9 million following the scheduled principal payments of its loans; and,
- lower interest expenses of Red Vulcan by \$0.4 million, or 7.6%, following the scheduled principal payments of its loan.

The above items were partially offset by the increase in the Parent Company's expenses by \$16.4 million primarily due to the additional interest expense on its \$300.0 million fixed-rate bond issued last October 2013. This was further offset by the \$7.2 million higher expenses of its various subsidiaries mainly due to the development of its growth projects.

Net Income Attributable to Equity Holders of the Parent Company

The net income attributable to the Parent Company increased by \$44.6 million, or 37.7%, to \$162.8 million for the first nine months of 2014, compared to the \$118.2 million that was recognized during the same period

in 2013. The increase in attributable net income was mainly due to the movements in the contributions of the following subsidiaries:

- higher net income contribution of EDC and its subsidiaries by \$45.3 million, or 58.9%, mainly due to the reversal of provision for impairment of EDC's NNGP plant assets, lower unrealized foreign exchange losses arising from movements in foreign exchange rates booked in 2014, higher income contribution from BGI, Nasulo and Mindanao, and a one-time gain on sale of its drilling rigs and some inventory materials. These increases were partially offset by the lower contribution of FG Hydro due to the revenue adjustment for its November and December 2013 billings, as well as lower electricity generation;
- higher net income contribution of FGP by \$17.8 million, or 97.5%, due to the higher capacity charge as a result of Unit 60's return to operation and the installed TPU during the major maintenance outage in 4Q 2013, the receipt of partial proceeds from insurance claims, and lower depreciation expense due to the lower cost of turbine blades;
- higher net income contribution of FGPC by \$4.7 million, or 9.8%, mainly due to lower interest expenses by \$2.9 million following the scheduled principal payments of its loans; and,
- lower interest expenses of Red Vulcan by \$0.4 million, or 7.6%, following the scheduled principal payments of its loan.

The above items were partially offset by the increase in the Parent Company expenses by \$16.4 million primarily due to the additional interest expense on its \$300.0 million fixed-rate bond issued last October 2013. This was further offset by the \$7.2 million higher expenses of its various subsidiaries mainly due to the development of its growth projects.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

Major movements in the consolidated statements of financial position of the First Gen Group resulted in a net increase to the Group's total consolidated assets by \$271.6 million, or 5.5%, to \$5,185.7 million as of September 30, 2014 from \$4,914.1 million as of December 31, 2013. The increase was a result of the following movements in major accounts:

- The property, plant and equipment account increased by \$315.5 million, or 15.3%, primarily due to the construction of the Burgos, San Gabriel and Avion power plants, Unified Leyte's new additions to property, plant and equipment following the damage caused by Typhoon Yolanda, and the partial recovery on impairment of the previously decommissioned NNGP power plant. The increase was partially offset by the depreciation of the existing property, plant and equipment.
- Other noncurrent assets increased by \$72.7 million, or 33.5%, primarily due to the capitalization of FGPC's and FGP's O&M charges to cover the estimated cost of turbine blades and vanes that are expected to be replaced in the next scheduled major maintenance outage. The account was further increased by the deferred debt issuance costs (DIC) from the undrawn amount of FNPC's loan, reclassification of EDC's tax credit certificates (TCCs), higher input VAT, and the higher exploration and evaluation assets of EDC.

The above increases in the total assets of First Gen Group were offset by the following movements:

- Cash consists mainly of cash on hand and in banks while cash equivalents include cash investments with original maturities of less than three months. Cash and cash equivalents decreased by \$80.0 million, or 9.2%, mainly due to the additions to property, plant and equipment, the payment of short- and long-term debt, interest and financing charges, and the dividends distributed to shareholders. These expenditures were partially offset by the cash generated from operations.
- Inventories decreased by \$17.7 million, or 16.2%, primarily due to the consumption of liquid fuel by FGPC and FGP during the Malampaya gas curtailments that occurred during the period.

- Deferred income tax assets decreased by \$7.3 million, or 20.9%, to \$27.5 million mainly due to the reversal of EDC's deferred tax assets following the partial recovery of the impairment provision of the previously decommissioned NNGP power plant.

LIABILITIES AND EQUITY

Total liabilities increased by \$70.6 million, or 2.2%, to \$3,254.8 million as of September 30, 2014 from \$3,184.2 million as of December 31, 2013 due to the following movements in major accounts:

- Long-term debt increased by \$130.7 million, or 5.0%, primarily due to the partial drawdown of the new \$70.7 million loan drawn by FNPC and EDC's additional \$90.0 million, ₱1.4 billion and ₱1.3 billion term-loans issued this year. This was partially offset by the scheduled principal payments on the existing outstanding debt of FGPC, FGP, Red Vulcan, EDC, and the Parent Company.
- Income tax payable increased by \$8.7 million primarily due to the increase in the taxes payable of FGPC, FGP, EDC, and its subsidiaries resulting from the higher taxable income of each company during the period.
- Retirement and other post-employment liabilities increased by \$6.6 million, or 16.3%, primarily due to the higher retirement liability of EDC and its subsidiaries resulting from the accrual of retirement expense during the period.

The above increases in the total liabilities of First Gen Group were partially offset by the following movements:

- Loans payable decreased by \$53.8 million as a result of FGPC's and FGP's payment of their respective loans payable.
- Dividends payable decreased by \$20.2 million as a result of the payment of dividends to preferred shareholders last January 25, 2014.

Total equity increased by \$201.0 million, or 11.6%, to \$1,930.9 million as of September 30, 2014 compared to \$1,729.9 million as of December 31, 2013. The increase was primarily due to the higher retained earnings resulting from the income earned during the first nine months of 2014. Equity was further increased by a higher Cumulative Translation Adjustment (CTA) resulting from the effects of the movements in foreign exchange rates, but partially offset by the higher cost of common stock held in treasury. The non-controlling interest account likewise increased by \$44.9 million, or 11.8%, due mainly to its share in the net earnings of EDC and its subsidiaries, though partially offset by the minority's share in the dividends declared by EDC during the period.

FIRST GEN MATERIAL CHANGES IN FINANCIAL CONDITION (September 30, 2014 vs. 2013)

CONSOLIDATED STATEMENTS OF INCOME

Horizontal and Vertical Analyses of Material Changes for the nine-month periods ended September 30, 2014 vs. 2013

			HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	Sep-14	Sep-13	2014 vs. 2013	2014 vs. 2013	Sep-14	Sep-13
Revenues from sale of electricity	\$1,426,193	\$1,419,229	\$6,964	0.5%	100.0%	100.0%
TOTAL REVENUES	1,426,193	1,419,229	6,964	0.5%	100.0%	100.0%
OPERATING EXPENSES						
Costs of sale of electricity	(892,728)	(944,335)	51,607	-5.5%	-62.6%	-66.5%
General and administrative expenses	(143,410)	(115,512)	(27,898)	24.2%	-10.1%	-8.1%
Sub-total	(1,036,138)	(1,059,847)	23,709	-2.2%	-72.7%	-74.7%
FINANCIAL INCOME (EXPENSE)						
Interest income	4,711	7,143	(2,432)	-34.0%	0.3%	0.5%
Interest expense and financing charges	(123,631)	(109,242)	(14,389)	13.2%	-8.7%	-7.7%
Sub-total	(118,920)	(102,099)	(16,821)	16.5%	-8.3%	-7.2%
OTHER INCOME (CHARGES)						
Foreign exchange losses – net	(4,241)	(25,001)	20,760	-83.0%	-0.3%	-1.8%
Mark-to-market gain (loss) on derivatives – net	350	(59)	409	693.2%	0.0%	0.0%
Reversal of impairment of property, plant and equipment	46,361	-	46,361	100.0%	3.3%	0.0%
Others – net	22,602	(5,957)	28,559	479.4%	1.6%	-0.4%
Sub-total	65,072	(31,017)	96,089	309.8%	4.6%	-2.2%
INCOME BEFORE INCOME TAX	336,207	226,266	109,941	48.6%	23.6%	15.9%
Provision for (benefit from) Income Tax						
Current	55,686	51,961	3,725	7.2%	3.9%	3.7%
Deferred	5,664	(2,488)	8,152	327.7%	0.4%	-0.2%
	61,350	49,473	11,877	24.0%	4.3%	3.5%
NET INCOME	\$274,857	\$176,793	\$98,064	55.5%	19.3%	12.5%
Net income attributable to:						
Equity holders of the Parent Company	\$162,820	\$118,236	\$44,584	37.7%	11.4%	8.3%
Non-controlling Interests	\$112,037	\$58,557	\$53,480	91.3%	7.9%	4.1%

Revenues

Revenues for the first nine months of 2014 increased by \$7.0 million, or 0.5%, to \$1,426.2 million compared to \$1,419.2 million for the same period in 2013. The increase was mainly due to the higher revenue contribution of FGP, EDC, and its subsidiaries. The revenue contribution of FGP increased by \$42.8 million, or 14.9% for the first nine months of 2014, due to its fuel revenues and higher average NDC (an NDC value of 543.2 MW in 2014 compared to 465.3 MW in 2013), following Unit 60's resumption of operation and the TPU installed during the major maintenance outage in 4Q 2013. For the first nine months of 2014, EDC's consolidated revenues rose by \$41.9 million, or 8.9%, mainly due to the ₱2.1 billion increase in BGI's revenues, the ₱1.0 billion increase in the EDC Parent's revenues due to the higher contribution from the Mindanao geothermal plants as a result of the steam augmentation activities and the newly-operating 49.4 MW Nasulo plant.

The higher revenues were partially offset by the lower contribution of FGPC mainly due to lower fuel revenues that resulted from lower plant dispatch (67.3% in 2014 from 80.4% in 2013), the decrease in average gas prices (\$12.4/MMBtu in 2014 as compared to \$12.9/MMBtu in 2013), and the lower generation following the Unit 40 Incident. The increase in revenues was also partially offset by FG Hydro following the \$5.6 million revenue adjustment as a result of the re-computation of spot prices for the November and December 2013 billings as ordered by the ERC in March 2014. FG Hydro also had lower electricity generation for the first nine months of 2014 as compared to the same period in 2013 due to lower water reservoir levels and lower IDR during the period.

Costs of sale of electricity

The costs of sale of electricity for the period ended September 30, 2014 decreased by \$51.6 million, or 5.5%, to \$892.7 million in 2014 as compared to \$944.3 million for the same period in 2013. The decrease was due to the movements in major expense items as explained in detail below:

Fuel cost

Fuel costs of Santa Rita and San Lorenzo decreased by \$56.3 million, or 8.1%, to \$638.6 million in the first three quarters of 2014 compared to \$694.9 million in 2013. The decrease was due to the lower dispatch of the gas plants (a combined average net capacity factor of 69.8% in 2014 as compared to 76.9% in 2013), and the lower electricity generated by Santa Rita following the Unit 40 Incident.

Other Costs of Sale

For the period ended September 30, 2014, other costs of sale increased by \$1.6 million, or 6.4%, primarily due to the higher royalty fee of EDC although partially offset by the decrease in EDC's expenses on rental, insurance and taxes.

Operations and Maintenance

O&M expense increased by \$3.9 million, or 3.4%, in the first nine months of 2014. This was primarily due to the higher O&M of First Gen Energy Solutions for 2014 as it only started incurring revenues in the second half of 2013 as compared to nine months of expenses in 2014. The increase was further driven by the higher NDC bonus given to Siemens Power Operations, Inc. (SPO) as a result of the higher combined average NDC for the year (1,585.1 MW in the first nine months of 2014 compared to 1,554.0 MW during the same period in 2013).

General and Administrative (G&A) Expenses

G&A expenses increased by \$27.9 million, or 24.2%, to \$143.4 million for the first nine months of 2014, compared to \$115.5 million during the same period in 2013. This was primarily a result of the \$8.5 million increase in taxes, licenses and insurance as well as the higher insurance premium charges of EDC on its assets and rental of equipment. Professional fees were also higher by \$7.6 million due to fees incurred by the growth projects and purchased services to support the full restoration of damaged power plant facilities of EDC.

Interest income

Interest income decreased by \$2.4 million, or 34.0%, to \$4.7 million for the first nine months of 2014 from \$7.1 million in the same period of 2013 primarily due to the lower interest income of EDC and the Parent Company. The geothermal company and the Parent Company booked lower interest income on their investments and short-term placements due to the lower weighted average interest rates and lower cash levels in 2014 compared to 2013.

Interest expense and financing charges

Interest expense and financing charges increased by \$14.4 million, or 13.2%, to \$123.6 million in 2014 from \$109.2 million in 2013. The higher interest expense resulted from the \$300.0 million fixed-rate bond issued by the Parent Company in October 2013, the ₱7.0 billion fixed-rate bond, \$80.0 million and \$90.0 million term-loans issued by EDC in May 2013, December 2013 and July 2014, respectively. The increase in interest expense was partially offset by the scheduled principal payments on the existing loans of the Parent Company, FGPC, FGP, FG Hydro, EDC, and Red Vulcan.

Foreign exchange losses – net

For the first nine months of 2014, First Gen recognized unrealized foreign exchange losses of \$4.2 million, lower than the \$25.0 million unrealized foreign exchange losses booked in the same period in 2013. This was primarily due to the decrease in foreign exchange losses of EDC and its subsidiaries amounting to \$4.1 million in 2014 compared to a \$21.6 million foreign exchange loss in 2013. The variance was brought about by the slight Philippine Peso depreciation in 2014 (from ₱44.395:\$1.00 as of end-2013 to ₱44.875:\$1.00 as of September 30, 2014) on the translation of the long-term foreign loans of EDC and its subsidiaries, compared to the higher depreciation of the Philippine Peso in 2013 (from ₱41.050:\$1.00 as of end-2012 to ₱43.540:\$1.00 as of September 30, 2013).

Mark-to-market gain (loss) on derivatives – net

The \$0.4 million reversal in the mark-to-market (MTM) gain on derivatives pertains entirely to the unrealized/realized derivative gain arising from EDC's foreign currency forward contracts that it entered into with various banks.

Others

Other income increased by \$74.9 million primarily due to the reversal of provision for impairment of EDC's NNGP plant assets amounting to \$46.4 million following the operation of the Nasulo plant where some of NNGP's assets were transferred and installed, EDC's \$9.3 million gain on the sale of its drilling rigs and some inventory materials, and the insurance claims of EDC and FGP amounting to \$8.6 million and \$3.0 million, respectively, during the first nine months of 2014.

EDC booked partial insurance claims relating to damage sustained by the Leyte plants due to Super Typhoon Yolanda, while FGP booked partial insurance claims relating to the fire incident that caused severe damage in San Lorenzo's Unit 60 main transformer.

Provision for (benefit from) Income Tax

The provision for income tax increased by \$11.9 million, or 24.0%, to \$61.4 million in 2014 due to the higher provision for current income tax resulting from the higher taxable income of First Gen's subsidiaries and higher provision for deferred income tax resulting from the movements in foreign exchange rates.

Net Income

First Gen's consolidated net income increased by \$98.1 million, or 55.5%, to \$274.9 million for the first nine months of 2014 from \$176.8 million during the same period in 2013. The increase in net income was mainly due to the movements in the contributions of the following subsidiaries:

- higher net income contribution of EDC and its subsidiaries by \$98.8 million, or 73.0%, primarily due to the reversal of provision for impairment of EDC's NNGP plant assets amounting to \$46.4 million, lower unrealized foreign exchange losses booked in 2014, a higher income contribution from BGI, Nasulo and Mindanao, and the one-time gain on sale of its drilling rigs and some inventory materials. These increases were partially offset by the lower contribution of FG Hydro due to the revenue adjustment for its November and December 2013 billings, as well as lower electricity generation;
- higher net income contribution of FGP by \$17.8 million, or 97.5%, due to the higher capacity charge as a result of Unit 60's return to operation and the TPU installed during the major maintenance outage in 4Q 2013, the receipt of partial proceeds from insurance claims, and lower depreciation expense due to the lower cost of turbine blades;
- higher net income contribution of FGPC by \$4.7 million, or 9.8%, mainly due to lower interest expenses by \$2.9 million following the scheduled principal payments of its loans; and,
- lower interest expenses of Red Vulcan by \$0.4 million, or 7.6%, following the scheduled principal payments of its loan.

The above items were partially offset by the increase in the Parent Company's expenses by \$16.4 million primarily due to the additional interest expense on its \$300.0 million fixed-rate bond issued last October 2013. This was further offset by the \$7.2 million higher expenses of its various subsidiaries mainly due to the development of its growth projects.

Net Income Attributable to Equity Holders of the Parent Company

The net income attributable to the Parent Company increased by \$44.6 million, or 37.7%, to \$162.8 million for the first nine months of 2014, compared to the \$118.2 million that was recognized during the same period in 2013. The increase in attributable net income was mainly due to the movements in the contributions of the following subsidiaries:

- higher net income contribution of EDC and its subsidiaries by \$45.3 million, or 58.9%, mainly due to the reversal of provision for impairment of EDC's NNGP plant assets, lower unrealized foreign

exchange losses arising from movements in foreign exchange rates booked in 2014, higher income contribution from BGI, Nasulo and Mindanao, and a one-time gain on sale of its drilling rigs and some inventory materials. These increases were partially offset by the lower contribution of FG Hydro due to the revenue adjustment for its November and December 2013 billings, as well as lower electricity generation;

- higher net income contribution of FGP by \$17.8 million, or 97.5%, due to the higher capacity charge as a result of Unit 60's return to operation and the installed TPU during the major maintenance outage in 4Q 2013, the receipt of partial proceeds from insurance claims, and lower depreciation expense due to the lower cost of turbine blades;
- higher net income contribution of FGPC by \$4.7 million, or 9.8%, mainly due to lower interest expenses by \$2.9 million following the scheduled principal payments of its loans; and,
- lower interest expenses of Red Vulcan by \$0.4 million, or 7.6%, following the scheduled principal payments of its loan.

The above items were partially offset by the increase in the Parent Company expenses by \$16.4 million primarily due to the additional interest expense on its \$300.0 million fixed-rate bond issued last October 2013. This was further offset by the \$7.2 million higher expenses of its various subsidiaries mainly due to the development of its growth projects.

Adjusting for non-recurring items such as proceeds from insurance claims, FG Hydro's revenue adjustment, one-time gains and losses, movements in deferred income taxes, unrealized foreign exchange differences and MTM gains (losses) on derivative transactions, First Gen's recurring net income attributable to the Parent Company was \$134.9 million for the first nine months of 2014. This was \$0.2 million, or 0.1%, higher than the recurring net income of \$134.7 million during the same period in 2013. The increase was mainly due to the higher recurring income contribution of EDC, FGPC and FGP. The higher revenues were partially offset by the higher interest expense of the Parent and higher expenses of its various subsidiaries mainly due to the development of its growth projects.

Amount in USD thousands	3Q 2014	3Q 2013
Net income attributable to the Parent Company	\$162,820	\$118,236
Adjustment of non-recurring items attributable to the Parent Company:		
Insurance proceeds – FGP	(3,000)	(37)
Insurance proceeds – EDC	(5,978)	–
Reversal of provision for impairment of NNGP	(23,184)	–
EDC's input VAT claims written off	–	2,913
EDC's gain on sale of Rigs	(4,657)	–
FG Hydro revenue adjustment due to re-computation of spot prices for Nov and Dec 2013 billings	3,947	–
Movement in deferred income tax of FGPC, FGP and Blue Vulcan	(478)	1,273
Movement in deferred income tax of EDC	3,098	(1,885)
Unrealized foreign exchange loss of FGPC, FGP and Parent	438	3,229
Unrealized foreign exchange loss of EDC, FG Hydro and Red Vulcan	2,079	10,991
MTM loss (gain) on derivatives of EDC	(175)	29
Recurring Net Income attributable to Parent Company	\$134,910	\$134,749

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Horizontal and Vertical Analyses of Material Changes as of September 30, 2014 and December 31, 2013

(Amounts in US\$ and in Thousands)			HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	Sep-14 (Unaudited)	Dec-13 (Audited)	2014 vs. 2013	2014 vs. 2013	Sep-14	Dec-13
ASSETS						
Current Assets						
Cash and cash equivalents	\$790,221	\$870,253	(\$80,032)	-9.2%	15.2%	17.7%
Receivables	351,360	334,847	16,513	4.9%	6.8%	6.8%
Inventories	91,971	109,723	(17,752)	-16.2%	1.8%	2.2%
Other current assets	58,399	61,355	(2,956)	-4.8%	1.1%	1.2%
Total Current Assets	1,291,951	1,376,178	(84,227)	-6.1%	24.9%	28.0%
Noncurrent Assets						
Property, plant and equipment – net	2,374,666	2,059,215	315,451	15.3%	45.8%	41.9%
Goodwill and Intangible assets	1,201,785	1,226,835	(25,050)	-2.0%	23.2%	25.0%
Deferred income tax assets – net	27,507	34,791	(7,284)	-20.9%	0.5%	0.7%
Other noncurrent assets	289,791	217,075	72,716	33.5%	5.6%	4.4%
Total Noncurrent Assets	3,893,749	3,537,916	355,833	10.1%	75.1%	72.0%
TOTAL ASSETS	\$5,185,700	\$4,914,094	\$271,606	5.5%	100.0%	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	\$359,804	\$357,563	\$2,241	0.6%	6.9%	7.3%
Income tax payable	10,964	2,314	8,650	373.8%	0.2%	0.0%
Dividends payable	-	20,202	(20,202)	-100.0%	0.0%	0.4%
Due to related parties	145	258	(113)	-43.8%	0.0%	0.0%
Loans payable	-	53,829	(53,829)	-100.0%	0.0%	1.1%
Current portion of:						
Long-term debts	311,653	124,473	187,180	150.4%	6.0%	2.5%
Derivative liabilities	-	12	(12)	-100.0%	0.0%	0.0%
Total Current Liabilities	682,566	558,651	123,915	22.2%	13.2%	11.4%
Noncurrent Liabilities						
Long-term debts – net of current portion	2,435,682	2,492,144	(56,462)	-2.3%	47.0%	50.7%
Retirement and other post-employment benefits	47,060	40,469	6,591	16.3%	0.9%	0.8%
Derivative liabilities – net of current portion	29,067	34,579	(5,512)	-15.9%	0.6%	0.7%
Deferred income tax liabilities – net	22,877	22,946	(69)	-0.3%	0.4%	0.5%
Other noncurrent liabilities	37,551	35,438	2,113	6.0%	0.7%	0.7%
Total Noncurrent Liabilities	2,572,237	2,625,576	(53,339)	-2.0%	49.6%	53.4%
Total Liabilities	3,254,803	3,184,227	70,576	2.2%	62.8%	64.8%
Equity Attributable to Equity Holders of the Parent Company						
Redeemable preferred stock	69,345	69,345	-	0.0%	1.3%	1.4%
Common stock	74,728	74,728	-	0.0%	1.4%	1.5%
Additional paid-in capital	1,052,282	1,052,282	-	0.0%	20.3%	21.4%
Accumulated unrealized gain on Available-for-sale (AFS) financial assets	301	344	(43)	-12.5%	0.0%	0.0%
Cumulative translation adjustments	5,165	(19,909)	25,074	-125.9%	0.1%	-0.4%
Equity reserve	(367,387)	(365,496)	(1,891)	0.5%	-7.1%	-7.4%
Retained earnings	743,922	600,974	142,948	23.8%	14.3%	12.2%
Cost of common stock held in treasury	(72,239)	(62,253)	(9,986)	16.0%	-1.4%	-1.3%
Sub-total	1,506,117	1,350,015	156,102	11.6%	29.0%	27.5%
Non-controlling Interests	424,780	379,852	44,928	11.8%	8.2%	7.7%
Total Equity	1,930,897	1,729,867	201,030	11.6%	37.2%	35.2%
TOTAL LIABILITIES AND EQUITY	\$5,185,700	\$4,914,094	\$271,606	5.5%	100.0%	100.0%

Cash and cash equivalents

Cash and cash equivalents decreased by \$80.0 million, or 9.2%, to \$790.2 million as of September 30, 2014 compared to \$870.2 million at the beginning of the year. The decrease was mainly due to the additions to property, plant and equipment, the payment of short- and long-term debt, interest and financing charges, and the dividends distributed to shareholders. These expenditures were partially offset by the cash generated from operations.

Receivables

Receivables increased by \$16.5 million, or 4.9%, to \$351.3 million as of September 30, 2014 from \$334.8 million as of December 31, 2013. This was mainly a result of the higher trade receivables of EDC following the commercial operations of Bacman and Nasulo, and higher receivables of FGP from Meralco due to resumed operations of Unit 60.

Inventories

Ending inventory as of September 30, 2014 stood at \$92.0 million. This was lower by \$17.7 million, or 16.2%, compared to the balance at the beginning of the year of \$109.7 million. This was primarily due to the consumption of liquid fuel by FGPC and FGP during the Malampaya gas curtailments that occurred during the period.

Other current assets

Other current assets decreased by \$3.0 million, or 4.8%, to \$58.4 million as of September 30, 2014 from \$61.4 million as of December 2013. The decrease was mainly due to the \$10.2 million reclassification of EDC's TCCs to the noncurrent portion, and the \$7.7 million decrease in its available-for-sale (AFS) financial assets following the full redemption of its ROP bonds due last January 15, 2014. These reductions were partially offset by EDC's purchases of financial assets.

Property, plant, and equipment

As of September 30, 2014, property plant and equipment stood at \$2,374.7 million. This was \$315.5 million, or 15.3%, greater than the balance at the beginning of the year. The increase was primarily due to the construction of the Burgos, San Gabriel and Avion power plants, Unified Leyte's additions to property, plant and equipment following the damage caused by Typhoon Yolanda, and the partial recovery of the impairment provision of the previously decommissioned NNGP power plant. The increase was partially offset by the depreciation of the existing property, plant and equipment.

Deferred income tax assets

Deferred income tax assets decreased by \$7.3 million, or 20.9%, to \$27.5 million as of September 30, 2014 compared to \$34.8 million as of December 31, 2013. The decrease was mainly due to the reversal of EDC's deferred tax assets following the partial recovery of the impairment provision of the NNGP power plant.

Other noncurrent assets

This account increased by \$72.7 million, or 33.5%, to \$289.8 million as of September 30, 2014 compared to \$217.1 million at the beginning of the year. This was primarily due to the capitalization of FGPC's and FGP's O&M charges during the period to cover the estimated cost of turbine blades and vanes that are expected to be replaced in the next scheduled major maintenance outage. The account was further increased by deferred DIC from the undrawn amount of FNPC's loan, reclassification of EDC's TCCs from the current portion, the higher input VAT resulting from EDC's purchases during the period, and the higher exploration and evaluation assets of EDC mainly due to the development costs incurred in the Mindanao III, Nasulo and Rangas areas.

Accounts payable and accrued expenses

Accounts payable and accrued expenses increased by \$2.2 million, or 0.6%, to \$359.8 million as of September 30, 2014 primarily due to the higher payables of FGPC and FGP to Shell Philippines Exploration, B.V., Chevron Malampaya LLC and PNOC Exploration Corporation, collectively the Gas Sellers (the "Gas Sellers"), following the greater consumption of natural gas in September 2014 compared to December 2013. This was further increased by the higher accumulated interest expenses on First Gen's loans. This was partially offset by the lower payables to liquid fuel suppliers as a result of FGP's and FGPC's full payment to its liquid fuel suppliers for the November 2013 liquid fuel importation, as well as FNPC's payments to Siemens for the San Gabriel project.

Income tax payable

As of September 30, 2014, income tax payable stood at \$11.0 million. The \$8.7 million increase compared to the amount payable at the beginning of the year was primarily due to the increase in the taxes payable of FGPC, and FGP, EDC, and its subsidiaries resulting from the higher taxable income of each company during the period.

Due to related parties

The \$0.1 million, or 43.8%, decrease in this account from the ending balance as of December 31, 2013 was a result of payments made during the period.

Loans payable

As of September 30, 2014, First Gen's loans payable stood at nil. The \$53.8 million decrease was a result of FGPC's and FGP's payment of their respective loans payable.

On November 22, 2013, FGP and FGPC each obtained a short-term loan amounting to \$50.0 million and \$3.8 million, respectively, from The Bank of Tokyo-Mitsubishi UFJ, Ltd. Manila Branch (BTMU). The short-term loans matured last March 21, 2014 and had an interest rate of 1.21% per annum, of which \$20.0 million was rolled over by FGP for 118 days at the same rate. The proceeds were used to pay the liquid fuel purchased in September 2013.

Dividends Payable

Dividends payable decreased to nil as of September 30, 2014 from the \$20.2 million balance at the beginning of the year. This account decreased as a result of the payment of dividends to preferred shareholders last January 25, 2014.

Long-term debt – current portion

The \$187.2 million increase was mainly due to EDC's ₱8.5 billion Peso Public Bond that will mature on June 4, 2015. The account was brought up further by the higher current portion of the loans of FGP, Red Vulcan, FG Hydro, and the Parent Company.

Derivative liabilities – current portion

No derivative liabilities were recognized as of September 30, 2014 due to favorable movements in EDC's derivative instruments as opposed to the \$0.01 million in derivative liabilities at the start of the year.

Long-term debt – net of current portion

Long-term debt decreased by \$56.5 million, or 2.3%, to \$2,435.6 million as of September 30, 2014, from \$2,492.1 million at the beginning of the year. This was mainly due to the reclassification of the maturing obligations to current portion and the scheduled principal payments of the outstanding debt of FGPC, FGP, Red Vulcan, EDC, and the Parent Company. The decrease was partially offset by the new \$70.7 million loan drawn by FNPC and EDC's additional \$90.0 million, ₱1.4 billion and ₱1.3 billion term-loans issued this year.

Derivative liabilities – net of current portion

As of September 30, 2014, this account decreased by \$5.5 million, or 15.9% to \$29.1 million from \$34.6 million at the start of the year. The decrease was mainly due to the favorable movements in the mark-to-market valuation of FGPC's interest rate swaps as of September 30, 2014, as compared to December 31, 2013. The decrease was also due to the favorable movements in EDC's derivative instruments resulting to no derivative liabilities as of September 30, 2014.

Retirement and other post-employment benefits

This account increased by \$6.6 million, or 16.3%, to \$47.1 million as of September 30, 2014 primarily due to the higher retirement liability of EDC and its subsidiaries resulting from the accrual of retirement expense during the period.

Other Noncurrent Liabilities

Other noncurrent liabilities increased by \$2.1 million, or 6.0%, to \$37.5 million as of September 30, 2014 from \$35.4 million as of the beginning of the year. The increase was primarily due to the additional accretion for the asset retirement obligations (ARO) of EDC and First Gen's gas plants.

Accumulated unrealized gain on AFS Financial Assets

This account decreased by \$0.04 million, or 12.5%, to \$0.3 million as of September 30, 2014 mainly a result of the decrease in the MTM movement of AFS shares held by EDC.

Cumulative translation adjustments

The \$25.1 million, or 125.9%, turnaround in CTA was due to favorable movements of the foreign exchange rates on the dollar translation of First Gen's subsidiaries that use Philippine Pesos as their functional currency, as well as on the cash flow hedges of FGPC, FGP and EDC.

Retained earnings

First Gen's retained earnings increased by \$142.9 million, or 23.8%, to \$743.9 million as of September 30, 2014 from \$601.0 million as of December 31, 2013. The increase was due to the attributable earnings of the Company during the first nine months of 2014 of \$162.8 million, which was partially offset by the \$19.9 million dividends distributed to the preferred shareholders of First Gen.

Cost of common stock held in treasury

The increase in the cost of common stock held in treasury by \$10.0 million was mainly due to the acquisition of the Parent Company's common stocks by the subsidiaries of First Gen.

Non-controlling Interest

The non-controlling interest increased by \$44.9 million, or 11.8%, to \$424.8 million as of September 30, 2014 due to its share in the net earnings of EDC and its subsidiaries during the first nine months of 2014. This was partially offset by the minority's share in the dividends declared by EDC.

DISCUSSIONS OF MAJOR SUBSIDIARIES**FGPC**

(UNAUDITED) (in USD thousands)	For the periods ended September 30	
	2014	2013
Revenues	587,650	664,684
Operating income	111,387	110,711
Net income	61,022	57,204
	As of the periods ended	
(in USD thousands)	Sept. 30, 2014 (Unaudited)	Dec. 31, 2013 (Audited)
Total assets	851,225	923,322
Debt – net of debt issuance costs	339,353	369,837
Other liabilities	210,645	270,551
Total equity	301,227	282,934

September 2014 vs. September 2013 Results

FGPC's revenues for 2014 decreased by \$77.0 million, or 11.6%, to \$587.7 million in the first nine months of 2014 from \$664.7 million in 2013. The decrease was mainly due to lower fuel revenues that resulted from Santa Rita's lower plant dispatch (67.3% in 2014 from 80.4% in 2013), the decrease in average gas prices (\$12.4/MMBtu in 2014 as compared to \$12.9/MMBtu in 2013), and the lower generation following the Unit 40 Incident.

Operating income slightly increased by \$0.7 million, or 0.6%, in 2014 mainly due to the decrease in fuel costs that resulted from lower plant dispatch and the decrease in average gas prices as mentioned above. Plant O&M expenses also decreased by \$2.5 million following the Unit 40 Incident. The increase in operating income was partially offset by the increase in G&A and staff costs by \$2.1 million and \$1.1 million, respectively.

FGPC posted a net income of \$61.0 million in the first nine months of 2014, which is \$3.8 million, or 6.7%, higher than the \$57.2 million registered in 2013. The increase was mainly due to FGPC's lower interest expense as a result of the scheduled amortization of its long-term debt and the benefit on deferred income taxes recognized in 2014.

September 2014 vs. September 2013

ASSETS

FGPC's total assets as of September 2014 stood at \$851.2 million, lower by \$72.1 million, or 7.8%, than the December 31, 2013 balance of \$923.3 million due to the movement in the following accounts:

- lower outstanding receivables from Meralco due to the lower plant dispatch resulting from the Unit 40 Incident, as well as the partial collection of the November 2013 billing amounting to \$54.7 million;
- consumption of liquid fuel inventory for operations due to several gas curtailments during the period;
- collection from shareholders;
- amortization of prepaid plant insurance and Political Risk Insurance coverage; and,
- depreciation of property, plant and equipment.

These were partially offset by:

- higher ending cash balance due to cash generated from operations; and,
- higher AFS financial assets from the additional purchases of financial securities.

LIABILITIES AND EQUITY

FGPC's total liabilities amounted to \$550.0 million as of September 30, 2014, which is lower by \$90.4 million, or 14.1%, compared to \$640.4 million as of December 31, 2013. This was primarily due to payments made to: (i) FGP for the liquid fuel importation last September 2013; (ii) the liquid fuel supplier for the liquid fuel purchased last November 2013; and (iii) BTMU for the repayment of the short-term loan. This was coupled with a decrease in derivative liabilities due to favorable movements in the MTM valuation of FGPC's derivative instruments.

Total equity increased by \$18.3 million, or 6.5%, to \$301.2 million as of September 30, 2014 as compared to \$282.9 million at the beginning of the year, mainly due to earnings made during the period. The increase was partially offset by the dividends declared during the first semester of 2014.

FGP Corp.

(UNAUDITED) (in USD thousands)	For the periods ended September 30	
	2014	2013
Revenues	335,377	292,434
Operating income	65,209	44,998
Net income	41,434	22,012
As of the periods ended		
(in USD thousands)	Sept. 30, 2014 (Unaudited)	Dec. 31, 2013 (Audited)
Total Assets	596,927	617,199
Debt – net of debt issuance costs	389,335	447,850
Other Liabilities	78,796	47,201
Total Equity	128,796	122,148

September 2014 vs. September 2013 Results

Total revenues for the period ended September 30, 2014 increased by \$42.9 million, or 14.7%, to \$335.4 million from \$292.4 million in 2013. The growth in revenues was primarily due to the higher fuel revenues and higher average NDC (an NDC value of 543.2 MW in 2014 compared to 465.3 MW in 2013) of the San Lorenzo plant as a result of Unit 60's return to operation and the TPU installed for both units of the San Lorenzo plant. In addition, revenues increased with the partial receipt of insurance claims on the machinery breakdown of the Unit 60 transformer amounting to \$3.0 million and the increase in net capacity factor (i.e. 74.7% in 2014 compared to 69.9% in 2013). These increases were partially reduced as the average gas price during the period was slightly lower compared to the same period last year (i.e. \$12.5/MMBtu in 2014 compared to \$12.9/MMBtu in 2013).

Operating income increased by \$20.2 million, or 44.9%, to \$65.2 million in the first nine months of 2014 from \$45.0 million in 2013 mainly due to the following: [i] higher capacity fees from the increase in NDC value; [ii] additional revenue from insurance claims; and [iii] lower depreciation of property, plant and equipment. Net income likewise increased by \$19.4 million, or 88.2%, to \$41.4 million in 2014 from \$22.0 million in 2013 due to the increase in operating income and the benefit on deferred income taxes recognized in 2014.

September 2014 vs. December 2013

FGP's total assets as of September 2014 stood at \$596.9 million, which decreased by \$20.3 million, or 3.3%, from \$617.2 million in 2013 due to the movements in the following accounts:

- lower outstanding receivables resulting from FGPC's payment of advances made by FGP on various liquid fuel deliveries;
- collection of advances to shareholders;
- lower property, plant and equipment due to depreciation and amortization; and
- consumption of liquid fuel inventory for operations due to several gas curtailments during the period.

The decrease was partially offset by:

- higher ending cash balance due to cash generated from operations, partial collection of insurance claims from the Unit 60 machinery breakdown, collection of advances on liquid fuel and advances to shareholders; and,
- higher AFS financial assets from the additional purchases of financial securities.

LIABILITIES AND EQUITY

As of September 2014, total liabilities decreased by \$26.9 million, or 5.4%, to \$468.1 million from last year's \$495.0 million mainly due to the payment of the short-term loan that was availed last November 22, 2013 and the scheduled loan payment of its long-term loan. The decrease was partially offset by the increase in outstanding payables to the Gas Sellers and SPO due to the higher generation capacity of the San Lorenzo plant by approximately 262.2 MW. This was a result of the return to operation of Unit 60, as well as the higher outstanding income tax payables due to the higher taxable income for the period.

Total equity increased by \$6.6 million, or 5.4%, to \$128.8 million as of September 30, 2014 as compared to \$122.1 million in the beginning of the year. The increase in equity was mainly from its earnings for the first nine months of 2014 and the increase in its "Accumulated other comprehensive income" account due to the favorable movement in the MTM valuation of its AFS financial assets, partially offset by the dividends declared during the period.

EDC Consolidated

(UNAUDITED) (Amounts in PHP millions)	For the periods ended September 30	
	2014	2013
Revenues	22,982.8	19,783.2
Foreign exchange losses, net	(179.9)	(901.4)
Income before income tax	11,592.4	6,480.2
Net income	10,543.7	5,925.0
	As of the periods ended	
	Sept. 30, 2014 (Unaudited)	Dec. 31, 2013 (Audited)
Total Assets	119,710.8	105,005.5
Total Liabilities	75,297.9	68,760.5
Total Equity	44,412.9	36,245.0

September 2014 vs. September 2013 Results

During the first three quarters of 2014, EDC posted a net income of ₱10,543.7 million, a 78.0%, or ₱4,618.7 million increase from the ₱5,925.0 million in the nine-month period ended September 30, 2013. The movement was driven by the ₱3,199.6 million increase in revenues mainly due to BGI, Nasulo and Mindanao

operations. This was supplemented by the ₱1,846.7 million net recovery of impairment of the previously decommissioned NNGP power plant transferred to and installed in Nasulo.

September 2014 vs. December 2013

ASSETS

Total assets increased by ₱14,705.3 million, or 14.0%, to ₱119,710.8 million which mainly came from the net increase in property, plant and equipment. The property, plant and equipment account increased by ₱13,173.0 million, or 19.9%, primarily due to the construction of Burgos, the reconstruction of the Leyte plants post-Typhoon Yolanda, and the recovery of impairment provision from the previously decommissioned NNGP power plant, partially offset by the depreciation and amortization for the period. Meanwhile, total cash and cash equivalents decreased by ₱2,475.7 million, or 15.4%, mainly due to the additions in the property, plant and equipment account by ₱14,836.8 million, the payment of long-term debt, interest and financing charges totaling to ₱3,565.2 million, and the payment of cash dividends amounting to ₱2,540.8 million during the period. These decreases were partially offset by the ₱11,853.2 million cash generated from operations.

LIABILITIES AND EQUITY

Total liabilities increased by ₱6,537.4 million, or 9.5%, to ₱75,297.9 million as of September 30, 2014 from ₱68,760.5 million as of December 31, 2013 primarily due to the new bridge loans availed in July 2014 to partly finance the construction of Phase 2 of the 150-MW Burgos Wind Project, though partly offset by the scheduled payment of long-term debt and various payables to third parties.

Total equity increased by ₱8,167.9 million, or 22.5%, to ₱44,412.9 million as of September 30, 2014 from ₱36,245.0 million as of December 31, 2013 mainly due to the net income earned during the period, partially offset by the cash dividends declared amounting to ₱1,882.5 million.

FG Hydro

(Amounts in PHP millions)	For the periods ended September 30	
	2014	2013
Operating revenues	1,714.3	1,826.4
Operating expenses	697.0	615.5
Other expenses – net	126.4	129.1
Income before tax	890.9	1,081.8
Provision for (benefit from) income tax	4.4	0.2
Net income	886.5	1,081.6
	As of the periods ended	
	Sept. 30, 2014 (Unaudited)	Dec. 31, 2013 (Audited)
Total current assets	1,684.6	1,733.8
Total noncurrent assets	6,151.1	6,403.6
Total current liabilities	623.8	547.2
Total noncurrent liabilities	3,416.3	3,602.8
Total equity	3,795.6	3,987.4

September 2014 vs. September 2013 Results

FG Hydro generated revenues of ₱1,714.3 million for the period ended September 30, 2014, which decreased by ₱112.1 million, or 6.1%, from ₱1,826.4 million for the same period in 2013. The decrease was mainly due to the lower electricity generated as a result of the reduced capacity from low reservoir water levels and low IDR. The decrease was partially offset by benefiting from higher ancillary service revenues and higher spot prices in the Wholesale Electricity Spot Market (WESM).

Operating expenses for the period ended September 30, 2014 amounted to ₱697.0 million, which increased by ₱81.5 million, or 13.2%, from ₱615.5 million in 2013 mainly due to higher insurance expense, taxes and licenses expense, and professional fees paid for the preparatory works for Masiway's refurbishment. The increase in operating expenses was partially offset by FG Hydro's lower interest expense. Interest expense decreased by ₱11.8 million, or 8.2%, to ₱130.5 million in 2014 from ₱142.3 million for the same period in

2013 due to the lower long-term debt balance in 2014. FG Hydro posted a net income of ₱886.5 million for the period ended September 30, 2014, which decreased by ₱195.1 million, or 18.0%, from the ₱1,081.6 million income for the same period in 2013.

September 2014 vs. December 2013

ASSETS

As of September 30, 2014, total assets decreased by ₱301.7 million, or 3.7%, to ₱7,835.7 million from the December 31, 2013 level of ₱8,137.4 million. The decrease was mainly due to FG Hydro's lower cash balance and its lower net book values of water rights, property, plant and equipment due to depreciation and amortization booked during the period.

LIABILITIES AND EQUITY

As of September 30, 2014, total liabilities decreased by ₱110.0 million, or 2.6%, to ₱4,040.0 million from the December 31, 2013 level of ₱4,150.0 million mainly due to the continuous pay-out of FG Hydro's long-term debt.

As of September 30, 2014, total equity stood at ₱3,795.6 million, which is ₱191.8 million, or 4.8%, lower compared to the December 31, 2013 level of ₱3,987.4 million.

FG Bukidnon

	For the periods ended September 30	
(in PHP thousands)	2014	2013
Revenues	32,198	29,942
Operating income	10,889	11,649
Net income	9,654	9,853
	As of the periods ended	
(in PHP thousands)	Sept. 30, 2014 (Unaudited)	Dec. 31, 2013 (Audited)
Total Assets	112,597	137,023
Total Current Liabilities	11,801	21,529
Other Liabilities	16,503	14,855
Total Equity	84,293	100,639

September 2014 vs. September 2013 Results

Revenue for the first three quarters of 2014 increased by ₱2.2 million, or 7.5%, due to higher plant generation and higher energy fee charged to Cagayan Electric Power and Light Company, Inc.

Operating income slightly decreased by ₱0.8 million, or 6.5%, mainly due to higher plant O&M and administrative expenses for the first nine months of 2014 due to regular plant maintenance conducted every two years. The slight decrease was partially offset by higher electricity sales and proceeds from an insurance claim.

FG Bukidnon posted a net income of ₱9.6 million, ₱0.2 million lower than last year's ₱9.8 million, which resulted from the lower operating income in 2014.

September 2014 vs. December 2013

ASSETS

As of September 30, 2014, total assets stood at ₱112.6 million, which is ₱24.4 million, or 17.8%, lower than the December 31, 2013 level of ₱137.0 million mainly due to the declaration of ₱26.0 million cash dividends and the depreciation of property, plant and equipment during the period. The decrease was partially offset by the additional cash received from operations.

LIABILITIES AND EQUITY

As of September 30, 2014, total current liabilities decreased by ₱9.7 million, or 45.2%, primarily a result of income tax payment and lower level of trade payables for the first nine months of 2014.

As of September 30, 2014, other liabilities increased by ₱1.6 million, or 11.1%, due to the set-up of the retirement liability and asset retirement obligation for the first nine months of 2014.

Total equity decreased by ₱16.3 million, or 16.2%, to ₱84.3 million as of September 30, 2014 mainly due to the declaration of cash dividends, partially offset by FG Bukidnon's earnings during the first nine months of 2014.

KEY PERFORMANCE INDICATORS

First Gen Consolidated	Sept. 2014	December 2013
Current ratio	1.89x	2.46x
Asset-to-equity ratio	2.69x	2.84x
Debt-to-equity ratio	1.69x	1.84x
Quick ratio	1.67x	2.16x
Return on assets (%)	7.26%	3.48%
Return on equity (%)	20.02%	9.44%
Interest-bearing debt-to-equity ratio (times)	1.42x	1.54x

Key Performance Indicators	Details
Current Ratio	Calculated by dividing current assets over current liabilities. This ratio measures the company's ability to pay short-term obligations.
Asset-to-equity ratio (times)	Calculated by dividing total assets over total equity.
Debt-to-equity ratio (times)	Calculated by dividing total liabilities over total equity. This ratio expresses the relationship between capital contributed by the creditors and the owners.
Quick ratio	Calculated by dividing Cash and cash equivalents plus Receivables over total current liabilities. This ratio measures a company's solvency.
Annualized Return on Assets	Calculated by dividing the numerator of the net income for the period times 4/3, by the denominator of the average of the total assets as of the end of the year and the beginning of the year. This ratio measures how the company utilizes its resources to generate profits.
Annualized Return on Equity	Calculated by dividing the numerator of the net income for the period times 4/3, by the denominator of the average of the total equity at the end of the year and the beginning of the year. This ratio measures how much profit a company earned in comparison to the amount of shareholder equity found on the balance sheet.
Interest-bearing debt-to-equity ratio (times)	Calculated by dividing total interest-bearing debt over total equity. This ratio measures the percentage of funds provided by the lenders/creditors.

FIRST GEN CORPORATION AND SUBSIDIARIES

AGING OF RECEIVABLES

Amounts in U.S. Dollars and in Thousands

	Current	More than 30 days past due	More than 30 days to 1 year past due	More than 1 year past due	Total
Trade	\$269,384	\$5,622	\$59,971	\$2,021	\$336,998
Related parties	2,386	—	—	—	2,386
Loans and notes receivables	2,141	—	—	—	2,141
Others	11,278	189	389	—	11,856
	285,189	5,811	60,360	2,021	353,381
Less: allowance for doubtful accounts	—	—	—	(2,021)	(2,021)
	\$285,189	\$5,811	\$60,360	\$—	\$351,360

FIRST GEN CORPORATION AND SUBSIDIARIES
**SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS
AND INTERPRETATIONS
SEPTEMBER 30, 2014**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS	Not early adopted		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Definition of Vesting Conditions	Not early adopted		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	Not early adopted		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements	Not early adopted		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		

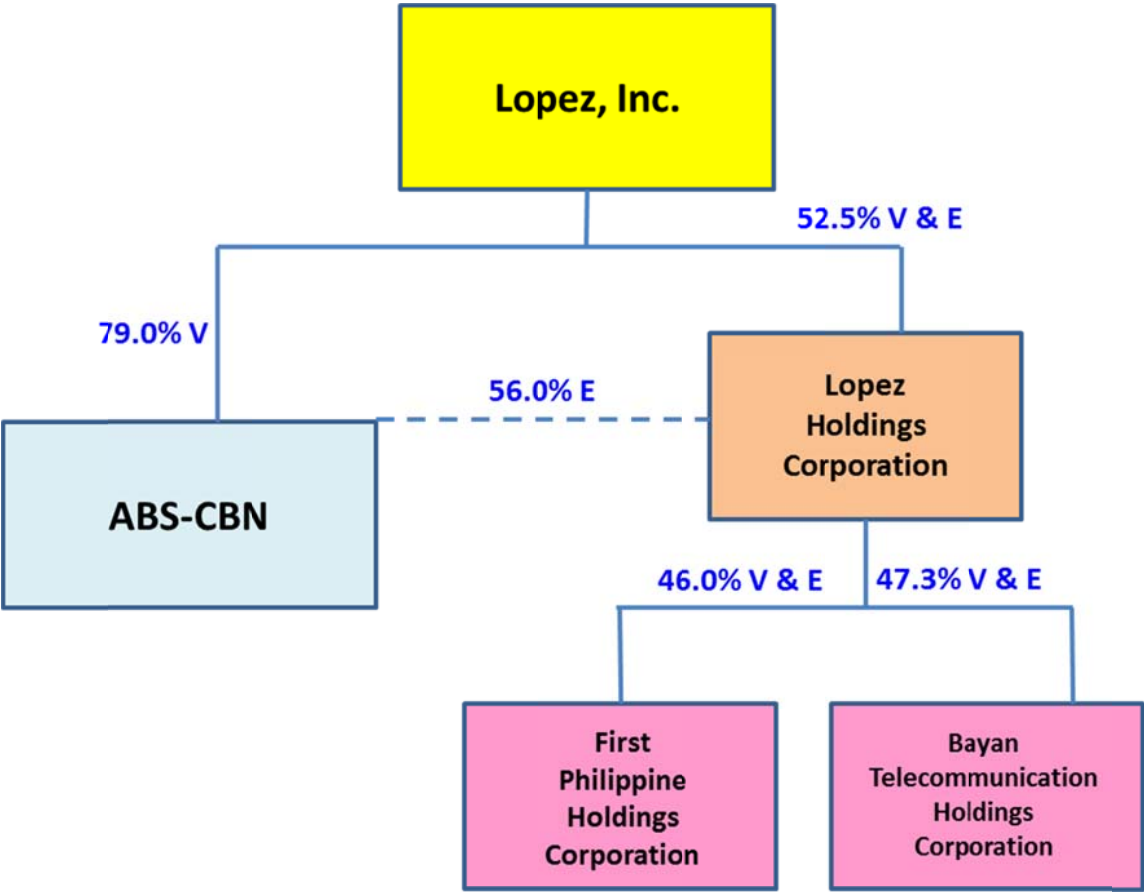
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2014		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	Not early adopted		
PFRS 9	Financial Instruments	Not early adopted; no mandatory effectivity date		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	Not early adopted		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Investment Entities	Not early adopted		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term Receivables and Payables	Not early adopted		
	Amendments to PFRS 13: Portfolio Exception	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2014		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	Not early adopted		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	✓		
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	Not early adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	Not early adopted		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Not early adopted		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	Not early adopted		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	Not early adopted		
PAS 37	Provisions, Contingent Liabilities and Contingent	✓		

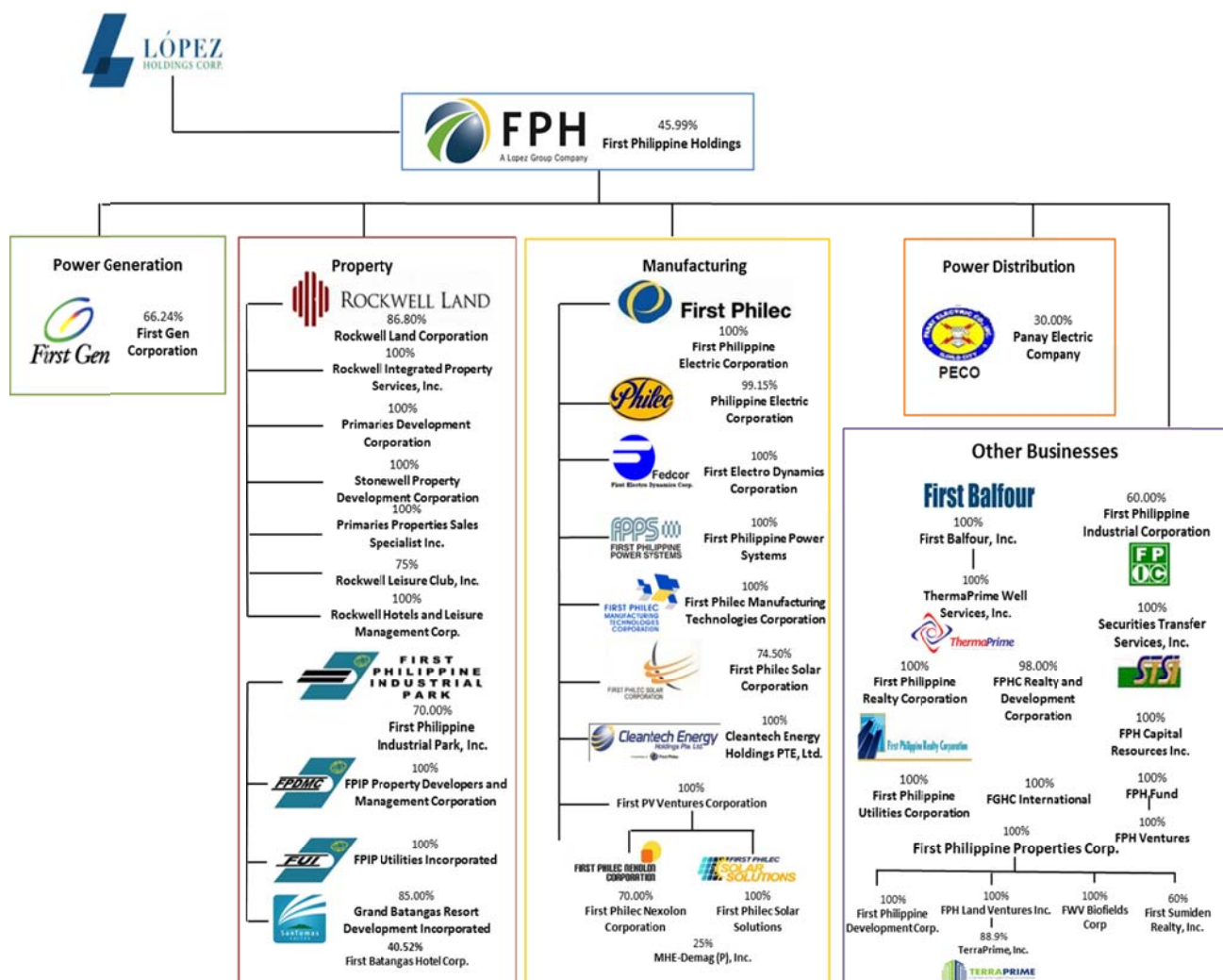
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2014		Adopted	Not Adopted	Not Applicable
	Assets			
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Not early adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Not early adopted		
PAS 40	Investment Property			✓
	Amendment to PAS 40: Investment Property	Not early adopted		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate	Not early adopted; deferred effectivity		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	Not early adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE LOPEZ GROUP



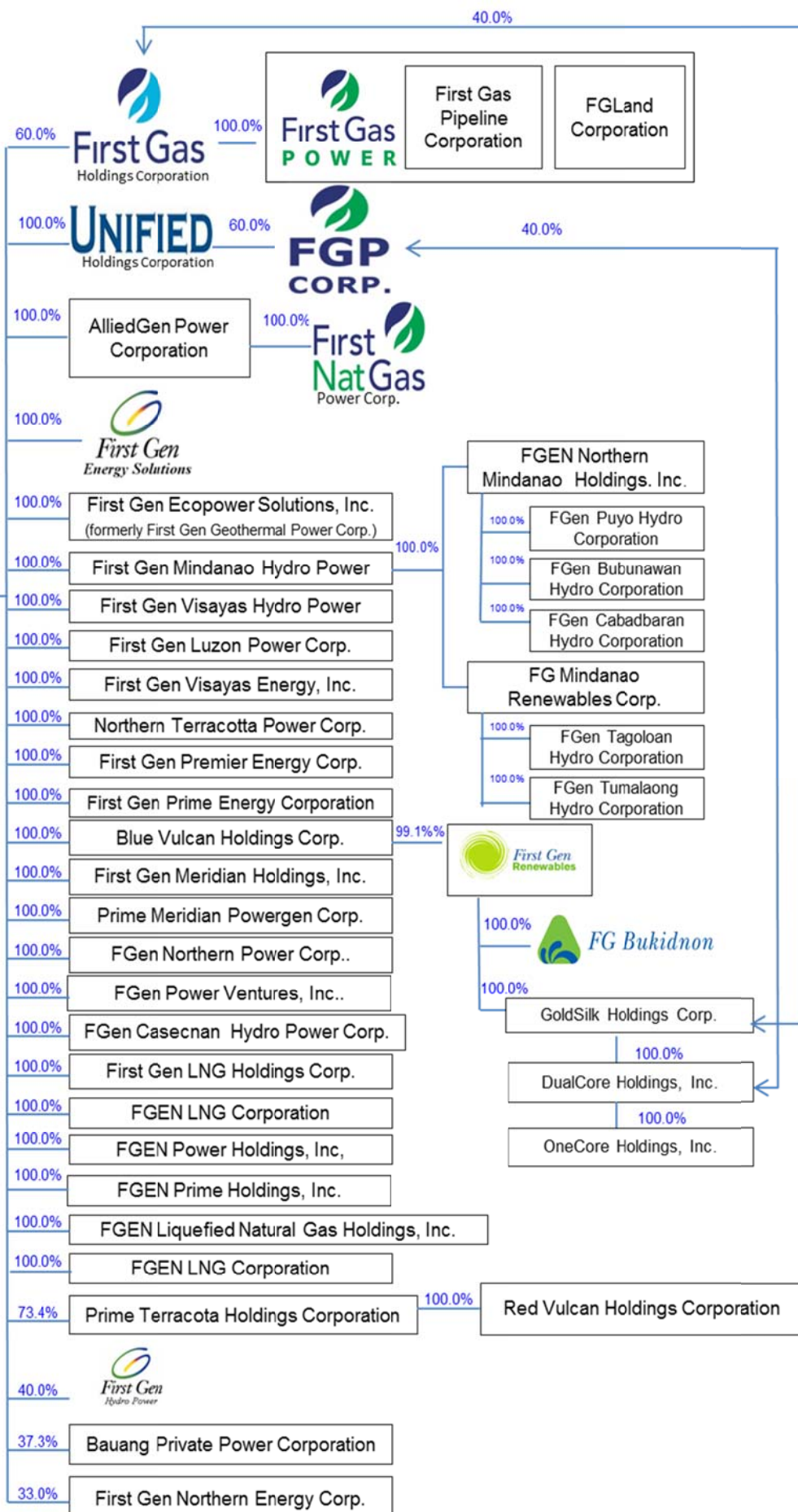
Legend:
E = Economic
V = Voting



*FPH's Corporate Structure as of September 30, 2014



Economic = 66.2%



As of September 30, 2014

Note: Percentages indicated herein pertain to voting interest, unless otherwise indicated

OTHER FINANCIAL INFORMATION

Discussion and analysis of material event/s and uncertainties known to management that would address the past and would have an impact on future operations of the following:

- (i) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.***

The Company has never been in a default position. The Company's current financing arrangements include standard provisions relating to events of default (e.g. non-payment, cross default, cross acceleration, insolvency, attachment). Any breach of a loan covenant or any material adverse change to the Company's operations or financial standing could trigger an event of default. The Company does not have contingent financial obligation during the reporting period.

- (ii) Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the period.***

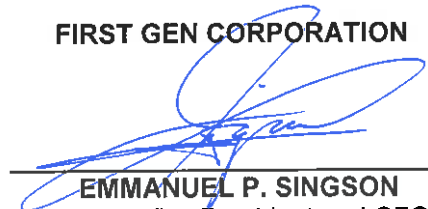
The Company did not enter into any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons during the reporting period.

PART II – OTHER INFORMATION

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.

FIRST GEN CORPORATION



EMMANUEL P. SINGSON
Senior Vice President and CFO



MARIA CARMINA Z. UBAÑA
Vice President and Comptroller

November 14, 2014

First Gen Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
September 30, 2014 and 2013
(With Comparative Audited Figures as at December 31, 2013)
(In U.S. Dollars)

FIRST GEN CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****(Amounts in U.S. Dollars and in Thousands)**

	September 30, 2014	December 31, 2013 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	\$790,221	\$870,253
Receivables (Notes 5 and 17)	351,360	334,847
Inventories (Note 6)	91,971	109,723
Other current assets (Note 7)	58,399	61,355
Total Current Assets	1,291,951	1,376,178
Noncurrent Assets		
Property, plant and equipment (Notes 8 and 12)	2,374,666	2,059,215
Goodwill and intangible assets (Note 9)	1,201,785	1,226,835
Deferred income tax assets - net	27,507	34,791
Other noncurrent assets (Note 10)	289,791	217,075
Total Noncurrent Assets	3,893,749	3,537,916
TOTAL ASSETS	\$5,185,700	\$4,914,094

LIABILITIES AND EQUITY

Current Liabilities		
Accounts payable and accrued expenses (Note 11)	\$359,804	\$357,563
Income tax payable	10,964	2,314
Loans payable (Note 12)	–	53,829
Dividends payable (Note 14)	–	20,202
Due to related parties (Note 17)	145	258
Current portion of:		
Long-term debts (Notes 8 and 12)	311,653	124,473
Derivative liabilities (Note 19)	–	12
Total Current Liabilities	682,566	558,651
Noncurrent Liabilities		
Long-term debts - net of current portion (Notes 8 and 12)	2,435,682	2,492,144
Retirement and other post-employment benefits	47,060	40,469
Derivative liabilities - net of current portion (Note 19)	29,067	34,579
Deferred income tax liabilities - net	22,877	22,946
Other noncurrent liabilities (Note 13)	37,551	35,438
Total Noncurrent Liabilities	2,572,237	2,625,576
Total Liabilities	\$3,254,803	\$3,184,227

(Forward)

	September 30, 2014	December 31, 2013 (Audited)
Equity Attributable to Equity Holders of the Parent Company (Note 14)		
Redeemable preferred stock	\$69,345	\$69,345
Common stock	74,728	74,728
Additional paid-in capital	1,052,282	1,052,282
Accumulated unrealized gain on available-for-sale (AFS) financial assets	301	344
Cumulative translation adjustments	5,165	(19,909)
Equity reserve (Note 2)	(367,387)	(365,496)
Retained earnings	743,922	600,974
Cost of common stock held in treasury	(72,239)	(62,253)
	1,506,117	1,350,015
Non-controlling Interests	424,780	379,852
Total Equity	1,930,897	1,729,867
TOTAL LIABILITIES AND EQUITY	\$5,185,700	\$4,914,094

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME****(Amounts in U.S. Dollars and in Thousands, Except per Share Data)**

	For the Nine Months Ended September 30	
	2014	2013
REVENUES FROM SALE OF ELECTRICITY	\$1,426,193	\$1,419,229
COSTS OF SALE OF ELECTRICITY (Note 15)	(892,728)	(944,335)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	(143,410)	(115,512)
FINANCIAL INCOME (EXPENSE)		
Interest income	4,711	7,143
Interest expense and financing charges (Note 15)	(123,631)	(109,242)
	(118,920)	(102,099)
OTHER INCOME (CHARGES)		
Foreign exchange losses – net	(4,241)	(25,001)
Mark-to-market gain (loss) on derivatives - net (Note 19)	350	(59)
Reversal of impairment provision of property, plant and equipment (Note 8)	46,361	–
Others	22,602	(5,957)
	65,072	(31,017)
INCOME BEFORE INCOME TAX	336,207	226,266
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	55,686	51,961
Deferred	5,664	(2,488)
	61,350	49,473
NET INCOME	\$274,857	\$176,793
Attributable to:		
Equity holders of the Parent Company	\$162,820	\$118,236
Non-controlling interests	112,037	58,557
	\$274,857	\$176,793
Basic/Diluted Earnings per Share for Net Income Attributable to the Equity Holders of the Parent Company (Note 16)	\$0.047	\$0.033

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME****(Amounts in U.S. Dollars and in Thousands)**

	For the Three Months Ended September 30	
	2014	2013
REVENUES FROM SALE OF ELECTRICITY	\$490,723	\$434,614
COSTS OF SALE OF ELECTRICITY	(316,606)	(292,629)
GENERAL AND ADMINISTRATIVE EXPENSES	(45,624)	(29,781)
FINANCIAL INCOME (EXPENSE)		
Interest income	1,450	2,393
Interest expense and financing charges	(40,964)	(35,395)
	(39,514)	(33,002)
OTHER INCOME (CHARGES)		
Foreign exchange losses – net	(13,519)	(2,656)
Mark-to-market gain on derivatives - net	155	31
Reversal of impairment provision of property, plant and equipment	46,361	–
Others	8,228	(408)
	41,225	(3,033)
INCOME BEFORE INCOME TAX	130,204	76,169
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	17,980	17,219
Deferred	6,808	(1,801)
	24,788	15,418
NET INCOME	\$105,416	\$60,751
Attributable to:		
Equity holders of the Parent Company	\$60,231	\$40,513
Non-controlling interests	45,185	20,238
	\$105,416	\$60,751

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME****(Amounts in U.S. Dollars and in Thousands)**

	For the Nine Months Ended September 30	
	2014	2013
NET INCOME	\$274,857	\$176,793
OTHER COMPREHENSIVE INCOME (LOSS):		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on foreign currency translation	(22,582)	(109,341)
Net gain on cash flow hedge - net of tax (Note 20)	3,996	16,037
Unrealized loss on AFS financial assets	(107)	(558)
	(18,693)	(93,862)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Actuarial losses on retirement and other post-employment benefits	—	(10,375)
TOTAL COMPREHENSIVE INCOME	\$256,164	\$72,556
Total comprehensive income attributable to:		
Equity holders of the Parent Company	\$187,851	\$47,875
Non-controlling interests	68,313	24,681
	\$256,164	\$72,556

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME****(Amounts in U.S. Dollars and in Thousands)**

	For the Three Months Ended September 30	
	2014	2013
NET INCOME	\$105,416	\$60,751
OTHER COMPREHENSIVE INCOME (LOSS):		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on foreign currency translation	(57,773)	(14,543)
Net gain on cash flow hedge - net of tax (Note 19)	4,327	81
Unrealized loss on AFS financial assets	(75)	(34)
	(53,521)	(14,496)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains on retirement and other post-employment benefits	—	104
TOTAL COMPREHENSIVE INCOME	\$51,895	\$46,359
Total comprehensive income attributable to:		
Equity holders of the Parent Company	\$23,113	\$30,676
Non-controlling interests	28,782	15,683
	\$51,895	\$46,359

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(Amounts in U.S. Dollars and in Thousands, Except per Share Amount)

	Equity Attributable to Equity Holders of the Parent Company (Note 14)												
	Capital Stock		Additional Paid-in Capital	Accumulated Share in Other Comprehensive Income (Losses) of Associates	Cumulative Translation Adjustments	Accumulated Unrealized Gain on AFS Financial Assets	Equity Reserve (Note 2)	Re-measurement of Retirement and Other Post- Employment Benefits	Retained Earnings	Cost of Common Stock Held in Treasury	Subtotal	Non- controlling Interests	Total
	Redeemable Preferred Stock	Common Stock											
BALANCES AT DECEMBER 31, 2013	\$69,345	\$74,728	\$1,052,282	\$–	(\$19,909)	\$344	(\$365,496)	\$–	\$600,974	(\$62,253)	\$1,350,015	\$379,852	\$1,729,867
Total comprehensive income (loss)	–	–	–	–	25,074	(43)	–	–	162,820	–	187,851	68,313	256,164
Share in employee trusts of EDC	–	–	–	–	–	–	–	–	–	–	–	132	132
Common shares acquired by subsidiaries	–	–	–	–	–	–	–	–	–	(9,986)	(9,986)	–	(9,986)
Acquisition of non-controlling interests in EDC	–	–	–	–	–	–	(1,780)	–	–	–	(1,780)	(1,524)	(3,304)
Acquisition of non-controlling interests in PTHC	–	–	–	–	–	–	(111)	–	–	–	(111)	(977)	(1,088)
Cash dividends on preferred shares	–	–	–	–	–	–	–	–	(19,872)	–	(19,872)	–	(19,872)
Dividends of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(21,016)	(21,016)
BALANCES AT SEPTEMBER 30, 2014	\$69,345	\$74,728	\$1,052,282	\$–	\$5,165	\$301	(\$367,387)	\$–	\$743,922	(\$72,239)	\$1,506,117	\$424,780	\$1,930,897
BALANCES AT DECEMBER 31, 2012, AS PREVIOUSLY REPORTED	\$69,345	\$74,715	\$1,052,180	(\$5,061)	(\$22,892)	\$–	(\$248,780)	\$–	\$574,412	(\$57,429)	\$1,436,490	\$–	\$1,436,490
Impact of effectivity of PFRS 10, <i>Consolidated Financial Statements</i>	–	–	–	5,061	86,673	647	(108,429)	–	1,369	(1,806)	(16,485)	421,423	404,938
Impact of effectivity of PAS 19, <i>Employee Benefits (Revised)</i>	–	–	–	–	(861)	–	–	–	(9,491)	–	(10,352)	(9,182)	(19,534)
BALANCES AT DECEMBER 31, 2012, AS RESTATED	69,345	74,715	1,052,180	–	62,920	647	(357,209)	–	566,290	(59,235)	1,409,653	412,241	1,821,894
Total comprehensive income (loss)	–	–	–	–	(62,901)	(223)	–	(7,237)	118,236	–	47,875	24,681	72,556
Re-measurement of retirement and other post- employment benefits closed to retained earnings	–	–	–	–	–	–	–	7,237	(7,237)	–	–	–	–
Exercise of stock options	–	13	102	–	–	–	–	–	–	–	115	–	115
Cash dividends on preferred shares	–	–	–	–	–	–	–	–	(21,092)	–	(21,092)	–	(21,092)
Cash dividends on common shares	–	–	–	–	–	–	–	–	(38,936)	–	(38,936)	–	(38,936)
Documentary stamp tax on common shares of EDC	–	–	–	–	–	–	–	–	–	–	–	(15)	(15)
Share in share-based payment of EDC	–	–	–	–	–	–	–	–	–	–	–	183	183
Acquisition of non-controlling interests in EDC	–	–	–	–	–	–	(8,242)	–	–	–	(8,242)	(4,267)	(12,509)
Dividends of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(39,016)	(39,016)
BALANCES AT SEPTEMBER 30, 2013, AS RESTATED	\$69,345	\$74,728	\$1,052,282	\$–	\$19	\$424	(\$365,451)	\$–	\$617,261	(\$59,235)	\$1,389,373	\$393,807	\$1,783,180

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements

FIRST GEN CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS****(Amounts in U.S. Dollars and in Thousands)**

	For the Nine Months Ended September 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$336,207	\$226,266
Adjustments for:		
Depreciation and amortization	118,500	119,383
Interest expense and financing charges	123,631	109,242
Net unrealized foreign exchange losses	6,140	23,020
Mark-to-market loss (gains) on derivatives - net	(350)	59
Interest income	(4,711)	(7,143)
Reversal of impairment provision of property, plant and equipment	(46,361)	—
Gain on disposal of property, plant and equipment	(8,182)	—
Input value-added tax (VAT) claims written-off	—	5,849
Income before working capital changes	524,874	476,676
Decrease (increase) in:		
Receivables	(17,087)	75,224
Inventories	17,752	(24,524)
Other current assets	3,650	(12,665)
Increase (decrease) in:		
Accounts payable and accrued expenses	(17,478)	(72,235)
Retirement and other post-employment benefits	6,591	3,510
Net cash generated from operations	518,302	445,986
Interest received	4,711	7,143
Income taxes paid	(47,167)	(49,349)
Net cash provided by operating activities	475,846	403,780
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	32,939	787
Proceeds from redemption of AFS financial assets	7,828	—
Proceeds from incidental income from testing property, plant and equipment	2,254	33,556
Additions to:		
Property, plant and equipment	(418,268)	(168,818)
Exploration and evaluation assets	(8,839)	(13,423)
Other noncurrent assets	(70,277)	(35,306)
Financial assets at FVPL	(11,297)	—
AFS financial assets	(1,729)	—
Intangible assets	(67)	(2,512)
Net cash used in investing activities	(467,456)	(185,716)

(Forward)

	For the Nine Months Ended September 30	
	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Interest expense and financing charges	(96,036)	(86,311)
Long-term debt	(76,152)	(66,936)
Acquisition of non-controlling interest in EDC	(3,304)	(12,509)
Acquisition of non-controlling interest in PTHC	(1,088)	–
Cash dividends to preferred shareholders	(40,075)	(43,357)
Cash dividends to common shareholders	–	(38,520)
Cash dividends to non-controlling interests	(21,016)	(18,528)
Loans payable	(53,829)	–
Redemption of Convertible Bonds	–	(72,972)
Parent Company shares acquired by subsidiaries	(9,986)	–
Additions to other noncurrent liabilities	1,479	5,047
Advances from (payments to) related parties	(113)	5
Proceeds from:		
Availment of long-term debt – net of debt issuance costs	212,229	165,423
Exercise of stock options	–	115
Net cash used in financing activities	(87,891)	(168,543)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(531)	(132)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(80,032)	49,389
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	870,253	633,011
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	\$790,221	\$682,400

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES

SELECTED NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in U.S. Dollars and in Thousands, Unless Otherwise Stated)

1. Corporate Information

First Gen Corporation (the Parent Company or First Gen) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1998. The Parent Company and its subsidiaries (collectively referred to as First Gen Group) are involved in the power generation business. All subsidiaries, except for Bluespark Management Limited (Bluespark) [formerly Lisbon Star Management Limited] and certain subsidiaries of Energy Development Corporation (EDC), are incorporated in the Philippines. Bluespark is incorporated in British Virgin Islands (BVI) while certain subsidiaries of EDC are incorporated in BVI, Hong Kong, Peru, Chile and Indonesia (see Note 2).

On February 10, 2006, the Parent Company successfully completed the Initial Public Offering (IPO) in the Philippines of 193,412,600 common shares, including the exercised greenshoe option of 12,501,700 common shares, at an IPO price of ₱47.00 per share. The common stocks of the Parent Company are currently listed and traded on the First Board of the Philippine Stock Exchange, Inc. (PSE). First Gen is considered a public company under Section 17.2 of the Securities Regulation Code (SRC).

On January 22, 2010, the Parent Company likewise completed the Stock Rights Offering (the Rights Offering) of 2,142,472,791 rights shares in the Philippines at the proportion of 1.756 rights shares for every one existing common stock held as of the record date of December 29, 2009 at the offer price of ₱7.00 per rights share. The total proceeds from the Rights Offering amounted to ₱15.0 billion (\$319.2 million).

On May 28, 2012, the Parent Company completed the Public Offering of the 100,000,000 Series “G” Preferred Shares in the Philippines at an issue price of ₱100.00 per share. The Perpetual Preferred shares are currently listed and traded on the First Board of the PSE. The total proceeds from the issuance of the Series G Perpetual Preferred shares amounted to ₱10.0 billion (\$234.4 million), net of transaction costs amounting to ₱95.2 million (\$2.2 million).

As of September 30, 2014, First Philippine Holdings Corporation (FPH) directly and indirectly owns 66.2% of the common stocks of First Gen and 100% of First Gen’s voting preferred stocks. With the adoption of Philippine Financial Reporting Standard (PFRS) 10, *Consolidated Financial Statements* effective January 1, 2013, Lopez Holdings Corporation (LHC) becomes the intermediate parent of First Gen through FPH, while Lopez, Inc. becomes the ultimate parent of First Gen Group. Prior to the adoption of PFRS 10, FPH was the ultimate parent company of First Gen Group. There are 363 common stockholders of record and 3,315,789,057 common stocks issued and outstanding.

The registered office address of the Parent Company is 3rd Floor, Benpres Building, Exchange Road corner Meralco Avenue, Pasig City.

2. Summary of Significant Accounting Policies

Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale (AFS) financial assets that have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in United States (U.S.) dollar, which is the Parent Company's functional currency, and are rounded to the nearest thousands, except when otherwise indicated.

Statement of Compliance

The unaudited interim condensed consolidated financial statements of First Gen Group have been prepared in accordance with PFRS' Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required in the annual consolidated financial statements, and should be read in conjunction with First Gen Group's annual consolidated financial statements as at and for the year ended December 31, 2013.

Significant Accounting and Financial Reporting 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 First Gen Group's annual consolidated financial statements as at and for the year ended December 31, 2013, except for the adoption of the new and amended accounting standards that became effective beginning January 1, 2014.

Several other new standards and amendments apply for the first time in 2014. However, they do not impact the unaudited interim condensed consolidated financial statements of First Gen Group.

The nature and the impact of each new standard and amendment are described below:

- *Investment Entities* (Amendments to PFRS 10, PFRS 12 and PAS 27), provides an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the First Gen Group since none of the entities in the First Gen Group would qualify to be an investment entity under PFRS 10.
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments), clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on First Gen Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments), remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on First Gen Group's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments), provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. First Gen Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21), clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. First Gen Group does not expect that IFRIC 21 will have material financial impact on future financial statements.

Future Changes in Accounting Policies

The following are the new and revised accounting standards and interpretations that will become effective subsequent to December 31, 2014. Except as otherwise indicated, First Gen Group does not expect the adoption of these new and amended PAS, PFRS and Philippine interpretations to have any significant impact on its unaudited interim condensed consolidated financial statements.

Effective in 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments), applies to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014.
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. First Gen Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, requires entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on First Gen Group's financial position or performance.
 - PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.
 - PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
 - b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.
- The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on First Gen Group's financial position or performance.
- PAS 24, *Related Party Disclosures - Key Management Personnel*, clarifies that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the First Gen Group's financial position or performance.
 - PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*, clarifies that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard. The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on First Gen Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*, clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to First Gen Group as it is not a first-time adopter of PFRS.
- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*, clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on First Gen Group's financial position or performance.
- PAS 40, *Investment Property*, clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on First Gen Group's financial position or performance.

No Mandatory Effectivity Date

- PFRS 9, *Financial Instruments*, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of First Gen Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. First Gen Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

Deferred Effectivity

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of First Gen Group.

Basis of Consolidation

The unaudited interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries.

Control is achieved when First Gen Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, First Gen Group controls an investee if and only if First Gen Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When First Gen Group has less than a majority of the voting or similar rights of an investee, First Gen Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- First Gen Group's voting rights and potential voting rights

First Gen Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when First Gen Group obtains control over the subsidiary and ceases when First Gen Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the unaudited interim consolidated statement of comprehensive income from the date First Gen Group gains control until the First Gen Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with First Gen Group's accounting policies. All significant intra-group assets and liabilities, equity, income and expenses, and cash flows relating to transactions between members of First Gen Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If First Gen Group loses control over a subsidiary, it derecognizes the carrying amounts of the assets (including goodwill) and liabilities of the subsidiary, derecognizes the carrying amount of any non-controlling interest (including any attributable components of other comprehensive income recorded in equity), derecognizes the cumulative translation differences recorded in equity, recognizes the fair value of the consideration received, recognizes the fair value of any investment retained, and any surplus or deficit is recognized in the unaudited interim consolidated statement of comprehensive income. First Gen Group also reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if First Gen Group had directly disposed of the related assets or liabilities.

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets not held by First Gen Group. Non-controlling interests are presented separately in the unaudited interim consolidated

statement of income and within equity in the unaudited interim consolidated statement of financial position, separate from equity attributable to equity holders of First Gen.

The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction in accordance with PAS 27. In transactions where the non-controlling interest is acquired or sold without loss of control, any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognized as part of “Equity reserve” account in the equity attributable to the equity holders of the Parent Company.

For the nine months ended September 30, 2014 and 2013, the non-controlling interests arise from the profits or losses and net assets not held by First Gen Group in EDC and Subsidiaries.

Acquisition of non-controlling interests

On May 20, 2014, the Parent Company purchased 31.0 million Series “B” voting preferred shares of Prime Terracota owned by Employees Retirement Plan of Lopez Inc. (Lopez Inc. Retirement Fund) [LIRF] for a total consideration of \$1.1 million. As a result of the transaction, the Parent Company’s direct voting interest in Prime Terracota has increased from 45.0% to 73.4% and its effective voting interest in EDC has likewise increased from 33.6% to 50.7% through Prime Terracota. As of September 30, 2014, the amount of equity reserve pertaining to the acquisition of the non-controlling stake of LIRF in Prime Terracota amounted to \$0.1 million.

On May 30, 2012, the Parent Company, through its wholly owned subsidiary, Blue Vulcan Holdings Corp. (Blue Vulcan), acquired from BG Asia Pacific Holdings Pte Limited (“BGAPH”) [a member of the BG Group] the entire outstanding capital stock of Bluespark Management Limited (Bluespark) [formerly Lisbon Star Management Limited]. Bluespark’s wholly owned subsidiaries namely Goldsilk Holdings Corp. (formerly Lisbon Star Philippines Holdings, Inc.) [Goldsilk]; Dualcore Holdings Inc. [formerly BG Consolidated Holdings (Philippines), Inc.] (Dualcore); and Onecore Holdings Inc. (formerly BG Philippines Holdings, Inc.) [Onecore] owned 40% of the outstanding capital stock of First Gas Group. Following the acquisition of Bluespark, the Parent Company now beneficially owns 100% of First Gas Group through its intermediate holding companies.

The Parent Company’s acquisition of non-controlling interests was accounted for as an equity transaction, whereby the carrying amounts of the controlling and non-controlling interests were adjusted to reflect the changes in their relative interests in First Gas Group and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid shall be recognized directly in equity, under “Equity reserve” account, and attributed to the owners of the parent; while the acquisition of other assets and liabilities of Bluespark was accounted for as an asset acquisition.

As a result of this transaction, the total consideration was allocated to the other assets and liabilities of Bluespark based on the relative fair values of these assets and liabilities. The excess of the consideration paid over the relative fair values of assets and liabilities were then allocated to the acquisition of the 40% equity interest in First Gas Group, and the resulting difference was recognized directly in equity as “Equity reserve” account in the consolidated statement of financial position and in the consolidated statement of changes in equity. As of September 30, 2014, the amount of equity reserve pertaining to the acquisition of the non-controlling stake from BGAPH amounted to \$248.8 million.

Beginning May 31, 2012, Bluespark and its subsidiaries, namely: Goldsilk, Dualcore and Onecore were consolidated in First Gen Group.

Subsidiaries

The following is a list of the companies on which the Parent Company has control as of September 30, 2014 and December 31, 2013:

	Percentage of Voting Interest	
	September 30, 2014	December 31, 2013
First Gen Renewables, Inc. (FGRI) ¹⁷	100	100
Unified Holdings Corporation (Unified)	100	100
AlliedGen Power Corp. (AlliedGen)	100	100
First Gen Luzon Power Corp. (FG Luzon)	100	100
First Gen Visayas Hydro Power Corporation (FG Visayas)	100	100
First Gen Mindanao Hydro Power Corporation (FG Mindanao)	100	100
First Gen Ecopower Solutions, Inc. (FG Ecopower)	100	100
First Gen Energy Solutions Inc. (FGES)	100	100
First Gen Premier Energy Corp. (FG Premier)	100	100
First Gen Prime Energy Corporation (FG Prime)	100	100
First Gen Visayas Energy, Inc. (FG Visayas Energy)	100	100
FG Bukidnon Power Corporation (FG Bukidnon) ¹	100	100
Northern Terracotta Power Corp. (Northern Terracotta)	100	100
Blue Vulcan ¹⁷	100	100
Prime Meridian Powergen Corporation (Prime Meridian) ³	100	100
Bluespark ^{5,17}	—	100
Gold silk ^{5,17}	100	100
Dualcore ^{5,17}	100	100
Onecore ^{5,17}	100	100
FG Mindanao Renewables Corp. (FMRC) ⁶	100	100
FGen Northern Mindanao Holdings, Inc. (FNMHI) ⁶	100	100
FGen Tagoloan Hydro Corporation (FG Tagoloan) ⁷	100	100
FGen Tumalaong Hydro Corporation (FG Tumalaong) ⁷	100	100
FGen Puyo Hydro Corporation (FG Puyo) ⁸	100	100
FGen Bubunawan Hydro Corporation (FG Bubunawan) ⁸	100	100
FGen Cabadbaran Hydro Corporation (FG Cabadbaran) ⁸	100	100
FGHC ⁵	100	100
FGP ^{2,5}	100	100
FNPC ³	100	100
First Gas Power Corporation (FGPC) ^{4,5}	100	100
First Gas Pipeline Corporation (FG Pipeline) ^{4,5}	100	100
FG Land Corporation (FG Land) ^{4,5}	100	100
FGen LNG Corporation (FGEN LNG)	100	100
First Gen LNG Holdings Corporation (LNG Holdings)	100	100
First Gen Meridian Holdings, Inc. (FGEN Meridian)	100	100
FGen Northern Power Corp. (FGEN Northern Power) ⁹	100	—
FGen Power Ventures, Inc. (FGEN Power Ventures) ¹⁰	100	—
FGen Casecan Hydro Power Corp. (FGEN Casecan) ¹¹	100	—
FGen Power Holdings, Inc. (Power Holdings) ¹²	100	—
FGen Prime Holdings, Inc. (Prime Holdings) ¹²	100	—
FGen Eco Solutions Holdings, Inc. (FGESHI) ¹²	100	—
FGen Liquefied Natural Gas Holdings, Inc. (Liquefied Holdings) ¹³	100	—
Prime Terracota Holdings Corp. (Prime Terracota) ^{14,15,16}	73	45
First Gen Hydro Power Corporation (FG Hydro) ^{14,15}	40	40

¹Through FGRI

²Through Unified

³Through AlliedGen

⁴Through FGHC

⁵On May 30, 2012, the Parent Company, through its wholly owned subsidiary, Blue Vulcan, acquired from BGAPH the entire outstanding capital stock of Bluespark. Bluespark's wholly owned subsidiaries namely Goldsilk, Dualcore and Onecore own 40% of the First Gas Group. Following the acquisition of Bluespark, the Parent Company now beneficially owns 100% of First Gas Group through its intermediate holding companies.

⁶Through FG Mindanao

⁷Through FMRC

⁸Through FNMHI

⁹On January 3, 2014, FGEN Northern Power was incorporated and registered with the Philippine SEC.

¹⁰On January 3, 2014, FGEN Power Ventures was incorporated and registered with the Philippine SEC.

¹¹On January 16, 2014, FGEN Casecanan was incorporated and registered with the Philippine SEC.

¹²On August 6, 2014, Power Holdings, Prime Holdings and FGESHI were incorporated and registered with the Philippine SEC.

¹³On September 25, 2014, Liquefied Holdings was incorporated and registered with the Philippine SEC.

¹⁴As a result of the adoption of PFRS 10 effective January 1, 2013.

¹⁵As a result of the adoption of PFRS 10 effective January 1, 2013. As of September 30, 2014, direct voting interest by the Parent Company in FG Hydro is 40% while its effective economic interest is 70.0% through Prime Terracota.

¹⁶On May 20, 2014, the Parent Company purchased 31.0 million Series "B" voting preferred shares of Prime Terracota owned by the Employees' Retirement Plan of Lopez Inc. (Lopez Inc. Retirement Fund or LIRF). As of September 30, 2014, First Gen's direct voting interest in Prime Terracota increased from 45.0% to 73.4% and its effective voting interest in EDC likewise increased from 33.6% to 50.7% through Prime Terracota.

¹⁷On June 17, 2014, the Philippine SEC approved the Plan and Articles of Merger between FGRI and Bluespark that was executed on April 29, 2014. As a result of the merger, FGRI becomes the surviving corporation and is now 99.1% effectively owned by Blue Vulcan while the remaining 0.9% is still owned by First Gen. FGRI now effectively owns 40.0% voting and economic interest in Santa Rita and San Lorenzo Plants. Prior to the merger, FGRI was a wholly-owned subsidiary of First Gen.

All of the foregoing subsidiaries are incorporated in the Philippines, except for Bluespark which is incorporated in BVI.

As of September 30, 2014, AlliedGen, FNPC, FG Luzon, FG Visayas, FG Mindanao, FG Ecopower, FG Premier, FG Prime, FG Visayas Energy, Northern Terracotta, Prime Meridian, FMRC, FNMHI, FG Tagoloan, FG Tumalaong, FG Puyo, FG Bubunawan, FG Cabadbaran, FGEN LNG, LNG Holdings, FGEN Meridian, FGEN Northern Power, FGEN Power Ventures, FGEN Casecanan, Power Holdings, Prime Holdings, FGESHI, and Liquefied Holdings have not started commercial operations.

As of September 30, 2014 and December 31, 2013, Prime Terracota's subsidiaries include the following companies:

	Percentage of Voting Interest	
	September 30, 2014	December 31, 2013
Red Vulcan	100	100
EDC	60	60
First Gen Hydro Power Corporation (FG Hydro)	60	60
EDC Drillco Corporation	60	60
EDC Geothermal Corp (EGC)	60	60
Green Core Geothermal Inc. (GCGI)	60	60
Bac-Man Geothermal Inc. (BGI)	60	60
Unified Leyte Geothermal Energy Inc. (ULGEI)	60	60
Southern Negros Geothermal, Inc. (SNGI)	60	60
EDC Mindanao Geothermal, Inc. (EMGI)	60	60
Bac-Man Energy Development Corporation (BEDC)	60	60
Kayabon Geothermal Inc. (KGI)	60	60
EDC Wind Energy Holdings, Inc.	60	60
EDC Burgos Wind Power Corporation (EBWPC)	60	60
EDC Chile Limitada	60	60
EDC Holdings International Limited (EHIL) ¹	60	60
Energy Development Corporation Hong Kong Limited (EDC HKL) ²	60	60
EDC Pagudpud Wind Power Corporation (EPWPC)	60	60
EDC Bayog Burgos Power Corporation (EBBPC) ¹⁰	60	—
EDC Burgos Pagali Wind Power Corporation (EBPWPC) ¹⁰	60	—
EDC Bright Solar Energy Holdings, Inc. (EBSEHI) ¹⁰	60	—
EDC Bago Solar Power Corporation (EBSPC) ¹⁰	60	—
EDC Chile Holdings SPA ^{3,9}	60	60
EDC Geotermica Chile ^{3,9}	60	60
EDC Peru Holdings S.A.C. ^{4,9}	60	60
EDC Geotermica Peru S.A.C. ^{4,9}	60	60
EDC Quellaapacheta ^{5,9}	60	60
PT EDC Indonesia ^{6,9}	60	60
PT EDC Panas Bumi Indonesia ^{6,9}	60	60
EDC Geotermica Del Sur S.A.C. ^{7,9}	60	60
EDC Energia Azul S.A.C. ^{7,9}	60	60

	Percentage of Voting Interest	
	September 30, 2014	December 31, 2013
Geothermica Crucero Perú S.A.C. ^{8,9}	42	42
EDC Energía Perú S.A.C. ^{7,9}	60	60
Geothermica Tutupaca Norte Perú S.A.C. ^{8,9}	42	42
EDC Energía Geotérmica S.A.C. ^{7,9}	60	60
EDC Progreso Geotérmico Perú S.A.C. ^{7,9}	60	60
EDC Energía Renovable Perú S.A.C. ^{7,9}	60	60
Geothermica Loriscota Perú S.A.C. ^{8,9}	42	42
Hot Rock Holding Ltd.	60	—
Hot Rock Chile Ltd.	60	—
Hot Rock Peru Ltd.	60	—
Hot Rock Chile S.A.	60	—
Hot Rock Peru S.A.	60	—

¹ Incorporated on August 17, 2011 in British Virgin Islands

² incorporated on November 22, 2011 in Hong Kong

³ Through EHIL and was incorporated on January 13, 2012 in Santiago, Chile

⁴ Through EHIL and was incorporated on January 19, 2012 in Lima, Peru

⁵ Through EHIL and was incorporated on July 17, 2012 in Lima, Peru

⁶ Through EHIL and was incorporated on July 9, 2012 in Jakarta Pusat, Indonesia

⁷ Through EHIL and was incorporated on February 27, 2013 in Lima, Peru

⁸ Through EHIL and were incorporated in 2013

⁹ Subsidiary of EDC HKL

¹⁰ Incorporated and registered in Philippine SEC in 2014

As of September 30, 2014, all subsidiaries of EDC HKL remained non-operating.

Investments in Associates

An associate is an entity over which First Gen Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or in joint control of those policies.

The following is a list of the companies on which the Parent Company has significant influence:

	Percentage of Voting Interest	
	September 30, 2014	December 31, 2013
First Gen Northern Energy Corp. (FGNEC) ¹	33	33
Bauang Private Power Corporation (BPPC) ²	37	37

¹ The equity transaction between Metro Pacific Investments Corporation, Ayala Corporation and the Parent Company in March 2010 has led to the deconsolidation of FGNEC since the Parent Company's interest in FGNEC has been reduced to 33% from 100%.

² First Private Power Corporation (FPPC) has 93.25% voting and economic interest in BPPC. By virtue of the merger, FPPC transferred its assets and liabilities at their carrying values to BPPC on December 15, 2010.

As of September 30, 2014 and December 31, 2013, the investments in FGNEC and BPPC amounted to nil.

3. Operating Segment Information

Operating segments are components of First Gen Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by First Gen Group's Chief Operating Decision Maker (CODM) to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available. For purposes of management reporting, First Gen Group's operating businesses are organized and managed separately on a per company basis, with each company representing a strategic business segment. First Gen's identified operating segments, which are consistent with the segments reported to the Board of Directors (BOD), which is the CODM of First Gen, are as follows:

- FGPC, which operates the 1,000 megawatt (MW) combined cycle, natural gas-fired Santa Rita power plant, and where the Parent Company now beneficially owns 100% equity interest effective May 30, 2012;
- FGP, which operates the 500 MW combined cycle, natural gas-fired San Lorenzo power plant, and where the Parent Company now beneficially owns 100% equity interest effective May 30, 2012;
- EDC, which operates the 12 geothermal energy projects in the 5 geothermal renewable service contract areas. On May 20, 2014, the Parent Company purchased 31.0 million Series "B" voting preferred shares of Prime Terracota owned by LIRF. This transaction has increased the Parent Company's direct voting interest in Prime Terracota to 73.4% and has likewise increased its effective voting interest in EDC to 50.7% as of September 30, 2014; and,
- FG Hydro, which operates the 132 MW Pantabangan and Masiway Hydro Electric Power Plants (PAHEP/MAHEP), and where the Parent Company has a 40% direct economic interest and 70.0% effective economic interest as of September 30, 2014.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The classification of segment revenue is consistent with the unaudited interim consolidated statements of income. Segment expenses pertain to the costs and expenses presented in the unaudited interim consolidated statements of income excluding interest expense and financing charges, depreciation and amortization expense and income taxes which are managed on a per company basis.

First Gen has only one geographical segment as all of its operating assets are currently located in the Philippines. First Gen Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Revenue is recognized to the extent that it is probable that economic benefit will flow to First Gen Group and that the revenue can be reliably measured. Substantially all of the segment revenues of FGP and FGPC are derived from Meralco, the sole customer of FGP and FGPC; while close to 44.0% of EDC's total revenues are derived from existing long-term Power Purchase Agreements (PPA) with National Power Corporation (NPC).

Financial information on the business segments are summarized as follows:

For the Nine Months Ended September 30, 2014							
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Segment revenue	\$578,020	\$326,472	\$486,182	\$33,095	\$6,683	(\$4,259)	\$1,426,193
Segment expenses	(446,351)	(248,403)	(125,710)	(8,626)	(25,997)	2,521	(852,566)
Segment results	131,669	78,069	360,472	24,469	(19,314)	(1,738)	573,627
Interest income	8,562	3,717	2,990	111	5,395	(16,064)	4,711
Interest expense and financing charges	(25,460)	(10,107)	(58,596)	(2,949)	(42,583)	16,064	(123,631)
Depreciation and amortization	(28,955)	(16,578)	(65,451)	(7,139)	(377)	–	(118,500)
Income (loss) before income tax	85,816	55,101	239,415	14,492	(56,879)	(1,738)	336,207
Provision for income tax	(24,794)	(13,667)	(22,252)	(607)	(30)	–	(61,350)
Net income (loss)	\$61,022	\$41,434	\$217,163	\$13,885	(\$56,909)	(\$1,738)	\$274,857

*Pertains to EDC and subsidiaries' unaudited consolidated statement of income, including the effect of the purchase price allocation but excluding FG Hydro.

**Pertains to intercompany revenue and expenses that were eliminated upon consolidation.

For the Nine Months Ended September 30, 2013							
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Segment revenue	\$654,652	\$288,366	\$429,950	\$43,731	\$3,096	(\$566)	\$1,419,229
Segment expenses	(524,666)	(228,523)	(194,915)	(7,417)	(16,526)	566	(971,481)
Segment results	129,986	59,843	235,035	36,314	(13,430)	–	447,748
Interest income	9,528	4,031	5,005	545	9,285	(21,251)	7,143
Interest expense and financing charges	(28,259)	(10,293)	(57,624)	(3,408)	(30,909)	21,251	(109,242)
Depreciation and amortization	(27,534)	(19,763)	(64,118)	(7,554)	(414)	–	(119,383)
Income (loss) before income tax	83,721	33,818	118,298	25,897	(35,468)	–	226,266
Benefit from (provision for) income tax	(26,517)	(11,805)	(12,152)	4	997	–	(49,473)
Net income (loss)	\$57,204	\$22,013	\$106,146	\$25,901	(\$34,471)	\$–	\$176,793

*Pertains to EDC and subsidiaries' unaudited consolidated statement of income, including the effect of the purchase price allocation but excluding FG Hydro.

**Pertains to intercompany revenue and expenses that were eliminated upon consolidation.

Other financial information of the business segments are as follows:

September 30, 2014							
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Current assets	\$366,759	\$221,396	\$501,964	\$37,944	\$452,431	(\$288,543)	\$1,291,951
Noncurrent assets	483,979	375,649	2,053,723	137,072	5,548,141	(4,704,815)	3,893,749
Total assets	\$850,738	\$597,045	\$2,555,687	\$175,016	\$6,000,572	(\$4,993,358)	\$5,185,700
Current liabilities	\$202,655	\$95,579	\$376,350	\$14,305	\$267,494	(\$273,817)	\$682,566
Noncurrent liabilities	346,856	372,670	1,218,935	76,129	1,142,683	(585,036)	2,572,237
Total liabilities	\$549,511	\$468,249	\$1,595,285	\$90,434	\$1,410,177	(\$858,853)	\$3,254,803

*Pertains to EDC and subsidiaries' unaudited consolidated statement of financial position, including the effect of the purchase price allocation but excluding FG Hydro.

**Pertains to intercompany assets and liabilities that were eliminated upon consolidation.

As of December 31, 2013 (Audited)							
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Current assets	\$414,652	\$222,393	\$497,649	\$44,748	\$521,387	(\$324,651)	\$1,376,178
Noncurrent assets	508,670	394,806	1,750,409	144,175	5,152,322	(4,412,466)	3,537,916
Total assets	\$923,322	\$617,199	\$2,248,058	\$188,923	\$5,673,709	(\$4,737,117)	\$4,914,094
Current liabilities	\$263,962	\$114,323	\$188,824	\$11,827	\$307,311	(\$327,596)	\$558,651
Noncurrent liabilities	376,457	380,737	1,275,721	81,153	1,117,450	(605,942)	2,625,576
Total liabilities	\$640,419	\$495,060	\$1,464,545	\$92,980	\$1,424,761	(\$933,538)	\$3,184,227

*Pertains to EDC and subsidiaries' consolidated statement of financial position, including the effect of the purchase price allocation but excluding FG Hydro.

**Pertains to intercompany assets and liabilities that were eliminated upon consolidation.

4. Cash and cash equivalents

	September 30, 2014	December 31, 2013 (Audited)
Cash on hand and in banks	\$195,848	\$183,239
Short-term deposits	594,373	687,014
	\$790,221	\$870,253

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of First Gen Group, and earn interest at the respective short-term deposits rates.

5. Receivables

	September 30, 2014	December 31, 2013 (Audited)
Trade	\$336,998	\$323,130
Due from related parties (Note 17)	2,386	2,840
Loans and notes receivables	2,141	2,814
Others	11,856	8,116
	353,381	336,900
Less: Allowance for doubtful accounts	(2,021)	(2,053)
	\$351,360	\$334,847

Aging of trade receivables:

Current	\$285,189
More than 30 days past due	5,811
More than 30 days to one year past due	60,360
More than one year past due	2,021
Total trade receivables	\$353,381

Trade receivables are noninterest-bearing and are generally on 30-day credit term (in the case of FGPC and FGP), while the trade receivables of EDC are generally collectible in 30 to 60 days. Other receivables comprise mainly of receivables from employees, contractors and suppliers, which are collectible upon demand.

6. Inventories

	September 30, 2014	December 31, 2013 (Audited)
Fuel inventories	\$31,746	\$45,869
Spare parts and supplies	60,225	63,766
In transit	—	88
	\$91,971	\$109,723

For FGP and FGPC, the amounts of fuel inventories recognized as expense were \$47.1 million and \$2.6 million for the nine months ended September 30, 2014 and 2013, respectively. These fuel expenses are recognized as part of the “Costs of sale of electricity” account in the unaudited interim consolidated statements of income.

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

7. Other Current Assets

	September 30, 2014	December 31, 2013 (Audited)
Prepaid expenses	\$26,494	\$27,406
Financial assets at FVPL (see Note 19)	11,318	–
Input value-added tax (VAT)	9,367	9,177
Prepaid taxes	8,689	15,022
Advances to contractors	1,712	1,511
Derivative assets (see Note 19)	507	321
AFS financial assets	–	7,700
Others	312	218
	\$58,399	\$61,355

Prepaid taxes consist mainly of tax credits that may be used by the operating subsidiaries of First Gen Group in the future.

Prepaid expenses consist mainly of prepaid insurance and creditable withholding tax certificates.

8. Property , Plant and Equipment

September 30, 2014										
	Land	Power Plants, Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Fluid Collection and Recycling System (FCRS) and Production Wells	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Others	Construction in Progress	Total
Cost										
Balances at December 31, 2013	\$55,834	\$1,230,793	\$897,132	\$532,227	\$30,324	\$6,034	\$1,186	\$1,452	\$401,881	\$3,156,863
Additions	1,723	5,126	1,792	762	1,808	1,211	22	–	412,312	424,756
Retirements/write-off	–	(49)	(31,006)	–	(319)	(470)	–	–	–	(31,844)
Reclassifications/adjustments	–	123,781	189	43,811	82	(99)	–	(1,457)	(168,177)	(1,870)
Foreign exchange adjustments	(454)	(10,808)	(942)	(6,305)	(278)	(35)	(1)	5	(7,647)	(26,465)
Balances at September 30, 2014	57,103	1,348,843	867,165	570,495	31,617	6,641	1,207	–	638,369	3,521,440
Accumulated Depreciation, Amortization and Impairment										
Balances at December 31, 2013	398	403,513	534,783	138,398	16,148	3,456	952	–	–	1,097,648
Depreciation and amortization (Note 15)	–	46,645	41,094	13,570	4,127	713	27	–	–	106,176
Reversal of impairment of provision of NNGP power plant assets	–	(46,361)	–	–	–	–	–	–	–	(45,361)
Retirements/write-off	–	–	(6,383)	–	(302)	(364)	–	–	–	(7,049)
Reclassifications/adjustments	–	34	1,655	–	(494)	4	–	–	–	1,199
Foreign exchange adjustments	(5)	(2,539)	(445)	(1,667)	(164)	(19)	–	–	–	(4,839)
Balances at September 30, 2014	393	401,292	570,704	150,301	19,315	3,790	979	–	–	1,146,774
Net Book Value	\$56,710	\$947,551	\$296,461	\$420,194	\$12,302	\$2,851	\$228	\$–	\$638,369	\$2,374,666

December 31, 2013 (Audited)										
	Land	Power Plants, Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Fluid Collection and Recycling System (FCRS) and Production Wells	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Others	Construction in Progress	Total
Cost										
Balances at December 31, 2012, as previously reported	\$22,619	\$385,718	\$682,743	\$–	\$5,195	\$3,050	\$1,003	\$–	\$–	\$1,100,328
Impact of effectivity of PFRS 10	21,252	884,553	98,661	504,423	14,884	1,951	–	4,685	319,284	1,849,693
Balances at December 31, 2012, as restated	43,871	1,270,271	781,404	504,423	20,079	5,001	1,003	4,685	319,284	2,950,021
Additions	14,573	6,077	14,894	3,174	2,286	1,570	189	–	289,385	332,148
Retirements/write-off	–	(16,264)	(3,947)	–	(1,341)	(1,006)	–	(376)	–	(22,934)
Reclassifications/adjustments	(6)	38,862	114,062	66,058	10,985	669	–	(2,654)	(177,194)	50,782
Foreign exchange adjustments	(2,604)	(68,153)	(9,281)	(41,428)	(1,685)	(200)	(6)	(203)	(29,594)	(153,154)
Balances at December 31, 2013	55,834	1,230,793	897,132	532,227	30,324	6,034	1,186	1,452	401,881	3,156,863
Accumulated Depreciation, Amortization and Impairment										
Balances at December 31, 2012, as previously reported	–	145,405	442,801	–	4,406	1,692	955	–	–	595,259
Impact of effectivity of PFRS 10	421	216,912	30,149	117,402	10,184	445	–	1,728	14,394	391,635
Balances at December 31, 2012, as restated	421	362,317	472,950	117,402	14,590	2,137	955	1,728	14,394	986,894
Depreciation and amortization	–	62,586	60,535	14,748	3,063	836	3	–	–	141,771

	December 31, 2013 (Audited)									
	Land	Power Plants, Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Fluid Collection and Recycling System (FCRS) and Production Wells	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Others	Construction in Progress	Total
Retirements/write-off	—	(4,087)	(3,766)	—	(1,137)	(231)	—	—	—	(9,221)
Reclassifications/adjustments	9	1,488	8,071	16,645	508	809	—	(1,681)	(14,001)	11,848
Foreign exchange adjustments	(32)	(18,791)	(3,007)	(10,397)	(876)	(95)	(6)	(47)	(393)	(33,644)
Balances at December 31, 2013	398	403,513	534,783	138,398	16,148	3,456	952	—	—	1,097,648
Net Book Value	\$55,436	\$827,280	\$362,349	\$393,829	\$14,176	\$2,578	\$234	\$1,452	\$401,881	\$2,059,215

Property, plant and equipment with net book values of \$285.6 million and \$312.8 million as of September 30, 2014 and December 31, 2013, respectively, have been pledged as security for long-term debt (see Note 12).

Rehabilitation of Nasulo

EDC has declared that the Nasulo power plant is already in the status necessary for it to operate as intended by management on July 21, 2014. Consequently, EDC recognized \$41.7 million impairment recovery, net of 10% tax. For the nine months period ended September 30, 2014, Nasulo power plant generated revenue from testing amounting to \$13.6 million, out of this \$2.3 million was offset against the cost of property, plant and equipment.

Estimated Rehabilitation and Restoration Costs

FCRS and production wells include the estimated rehabilitation and restoration costs of EDC's steam fields and power plants' contract areas at the end of the contract period. These were based on technical estimates of probable costs, which may be incurred by EDC in the rehabilitation and restoration of the said steam fields and power plants' contract areas from 2031 up to 2044, discounted using the EDC's risk-adjusted rate. These costs, net of accumulated amortization, amounted \$10.1 million as September 30, 2014 and December 31, 2013. As of September 30, 2014 and December 31, 2013, the provision for rehabilitation and restoration costs, shown as part of "Asset retirement obligations" in the "Other noncurrent liabilities" account amounted to \$15.9 million and \$14.7 million, respectively (see Note 13).

Rehabilitation of BGI

Since 2010, BGI's power plants are undergoing rehabilitation. In 2011, BGI performed testing procedures in preparation for its planned commercial operations. As of September 30, 2014, Unit 1, Unit 2 and Unit 3 have commenced commercial operations on January 28, 2014, June 3, 2014 and October 1, 2013, respectively. For the nine months ended September 30, 2014 and 2013, the revenue from electricity generated during the testing period amounting to nil and \$33.6 million, respectively, were offset against the cost of property, plant and equipment.

Burgos Wind Energy Project

In March 2013, EDC entered into an agreement with Vestas of Denmark for the construction of the 87-MW wind farm in Burgos, Ilocos Norte. Under the Engineering, Procurement and Construction (EPC), Vestas is responsible for the design, manufacture, delivery of the works from the place of manufacture to the project site, erection, testing and commissioning for a complete and operational wind farm. The agreement covers the installation of 29 units of V90-3.0 MW turbine together with associated on-site civil and electrical works. EDC issued Notice to Proceed to Vestas in June 2013.

On May 16, 2013, EBWPC was granted a Certificate of Confirmation of Commerciality by the DOE for its 87 MW Burgos wind project. The certificate converts the project's Wind Energy Service Contract (WESC) from exploration/pre-development stage to the development / commercial stage. Consequently, the wind energy project development costs amounting to \$11.1 million were reclassified into Property, plant and equipment under the "Construction in progress" account (see Note 9).

On May 3, 2013, to partially finance the construction of Burgos wind energy project, EDC issued fixed-rate peso bonds amounting to \$162.0 million (₱7.0 billion) (see Note 12).

On April 30, 2014, EDC has signed for the installation of an additional twenty one (21) wind turbines. This raises the total project investment cost to \$450 million from \$300 million, and once fully completed, increases the total generating capacity to 150-MW from 87-MW.

In October 2014, EDC has been granted the Certificate of Confirmation of Commerciality by the Department of Energy (DOE) for its 87-MW Burgos Wind Project (BWP) in Ilocos Norte.

Depreciation and Amortization

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

	<u>For the Nine Months Ended September 30</u>	
	2014	2013
Property, plant and equipment	\$106,176	\$106,672
Intangible assets	12,324	12,711
	\$118,500	\$119,383

	<u>For the Nine Months Ended September 30</u>	
	2014	2013
Costs of sale of electricity (see Note 15)	\$110,527	\$111,936
General and administrative (see Note 15)	7,973	7,447
	\$118,500	\$119,383

9. Goodwill and Intangible Assets

September 30, 2014						
	Goodwill	Concession Rights for Contracts Acquired	Water Rights	Pipeline Rights	Other Intangible asset	Total
Cost						
Balances at December 31, 2013	\$1,084,707	\$187,786	\$54,168	\$13,253	\$3,868	\$1,343,782
Additions	–	–	–	–	67	67
Foreign exchange adjustments	(11,505)	(2,009)	(579)	–	(42)	(14,135)
Balances at September 30, 2014	1,073,202	185,777	53,589	13,253	3,893	1,329,714
Accumulated Amortization						
Balances at December 31, 2013	–	94,131	15,438	6,776	602	116,947
Amortization (see Notes 8 and 15)	–	9,938	1,630	452	304	12,324
Foreign exchange adjustments	–	(1,144)	(187)	–	(11)	(1,342)
Balances at September 30, 2014	–	102,925	16,881	7,228	895	127,929
Net Book Value	\$1,073,202	\$82,852	\$36,708	\$6,025	\$2,998	\$1,201,785

December 31, 2013 (Audited)						
	Goodwill	Concession Rights for Contracts Acquired	Water Rights	Pipeline Rights	Other Intangible Asset	Total
Cost						
Balances at December 31, 2012, as previously reported	\$9,086	\$–	\$–	\$13,253	\$–	\$22,339
Impact of effectivity of PFRS 10	1,163,269	203,088	58,581	–	11,394	1,436,332
Balances at December 31, 2012, as restated	1,172,355	203,088	58,581	13,253	11,394	1,458,671
Additions	–	–	–	–	4,070	4,070
Reclassifications (see Note 8)	–	–	–	–	(11,084)	(11,084)
Foreign exchange adjustments	(87,648)	(15,302)	(4,413)	–	(512)	(107,875)
Balances at December 31, 2013	1,084,707	187,786	54,168	13,253	3,868	1,343,782
Accumulated Amortization						
Balances at December 31, 2012, as previously reported	–	–	–	6,173	–	6,173
Impact of effectivity of PFRS 10	–	87,515	14,353	–	–	101,868
Balances at December 31, 2012, as restated	–	87,515	14,353	6,173	–	108,041
Amortization (Note 8)	–	13,897	2,279	603	633	17,412
Foreign exchange adjustments	–	(7,281)	(1,194)	–	(31)	(8,506)
Balances at December 31, 2013	–	94,131	15,438	6,776	602	116,947
Net Book Value	\$1,084,707	\$93,655	\$38,730	\$6,477	\$3,266	\$1,226,835

Goodwill

As of September 30, 2014 and December 31, 2013, the outstanding balance of goodwill is attributable to Red Vulcan, GCGI, FG Hydro and FGHC.

Concession rights for contracts acquired

As a result of the purchase price allocation of Red Vulcan, an intangible asset was recognized pertaining to concession rights originating from contracts of EDC amounting to \$204.3 million (P8,336.7 million). Such intangible asset pertains to the Steam Sales Agreements and PPAs of EDC. The identified intangible asset is amortized using the straight-line method over the remaining term of the existing contracts ranging from 1 to 17 years. The concession rights for contracts acquired have been valued based on the expected future cash flows using the Multiple Excess Earnings Method (MEEM) as of the date of acquisition. MEEM is the most commonly used approach in valuing customer-related assets, although it may be used to value other intangible assets as well. The asset value is estimated as the sum of the discounted future excess earnings attributable to the asset over the remaining project period. The average remaining amortization period of the intangible asset pertaining to the concession rights originating from contracts is 6.25 years as of September 30, 2014.

Water rights

Water rights pertain to FG Hydro's right to use water from the Pantabangan reservoir for the generation of electricity. NPC, through a Certification issued to FG Hydro dated July 27, 2006, has given its consent to the transfer to FG Hydro, as the winning bidder of the PAHEP/MAHEP, of the water permit for Pantabangan river issued by the National Water Resources Council on March 15, 1977.

Water rights are amortized using the straight-line method over 25 years, which is the term of FG Hydro's agreement with the National Irrigation Administration (NIA). The remaining amortization period of water rights is 17.2 years as of September 30, 2014.

Pipeline rights

Pipeline rights represent the construction cost of the natural gas pipeline facility connecting the natural gas supplier's refinery to FGP's power plant including incidental transfer costs incurred in connection with the transfer of ownership of the pipeline facility to the natural gas supplier. The cost of pipeline rights is amortized using the straight-line method over 22 years, which is the term of the Gas Sale and Purchase Agreements (GSPA). The remaining amortization period of pipeline rights is 10.0 years as of September 30, 2014.

Other intangible asset

Other intangible asset pertains to EDC's computer software licenses and wind energy project development costs, which were already reclassified to "Property, plant and equipment" account in 2013 (see Note 8).

Reclassification

In 2013, EDC reclassified the wind energy project development costs amounting to \$11.1 million to "Property, plant and equipment" account. Management believes that the technical feasibility and commercial viability of the project has already been established following the issuance by EDC of notice to proceed to its wind farm contractor, Vestas (see Note 8).

10. Other Noncurrent Assets

	September 30, 2014	December 31, 2013 (Audited)
Input VAT	\$102,455	\$94,331
Exploration and evaluation assets	61,771	53,627
Tax credit certificates (TCC)	47,193	35,153
Prepaid major spare parts	36,461	16,693
Deferred debt issue costs (Note 12)	19,230	—
AFS financial assets	7,040	7,830
Special deposits and funds	5,458	4,009
Prepaid expenses	4,945	3,500
Long-term receivables	2,674	2,004
Derivative assets (see Note 19)	5,445	4,166
Others	6,528	6,419
	299,200	227,732
Less: Allowance for doubtful accounts	(9,409)	(10,657)
	\$289,791	\$217,075

For the year ended December 31, 2013, prepaid major spare parts amounting to \$80.0 million were reclassified to “Property, plant and equipment” account as a result of the completion of scheduled major maintenance outages of the Santa Rita and San Lorenzo power plants (see Note 8).

Provision for doubtful accounts pertaining to Input VAT and long-term receivables amounted to \$1.1 million and 0.7 million during the nine months ended September 30, 2014 and 2013, respectively.

11. Accounts Payable and Accrued Expenses

	September 30, 2014	December 31, 2013 (Audited)
Trade	\$247,785	\$256,629
Deferred Output VAT	47,399	43,603
Accrued interest and financing costs	44,883	26,630
Withholding & other taxes payable	9,121	14,806
Output VAT	159	3,451
Royalty fee payable	1,445	894
Others	9,012	11,550
	\$359,804	\$357,563

Trade payables are noninterest-bearing and are normally settled on 30 to 60-day payment terms.

The accrued interest represents interest accrued on the outstanding loans which is reckoned from the last payment date up to the financial reporting date.

As of September 30, 2014, the “Others” account includes EDC’s provision for shortfall generation and the portion of liabilities on regulatory assessments and other contingencies.

12. Loans payable and Long-term Debts

Loans Payable

On November 22, 2013, FGP and FGPC each obtained a short-term loan amounting to \$50.0 million and \$3.8 million, respectively, from The Bank of Tokyo-Mitsubishi UFJ, Ltd. Manila Branch (BTMU). The short-term loans, which matured on March 21, 2014, had an interest rate of 1.21% per annum, of which, \$20.0 million of the FGP loan was rolled over for 118 days at the same rate. The proceeds were used to pay the liquid fuel purchased in September 2013.

On July 18, 2014, FGP fully paid the \$20.0 million short-term loan.

Long-term debts

This account consists of long-term debts of:

	September 30, 2014	December 31, 2013 (Audited)
EDC	\$1,354,234	\$1,230,742
First Gen	391,506	393,514
FGP	389,335	397,850
FGPC	339,353	366,008
Red Vulcan	125,823	140,430
FG Hydro	83,343	88,073
FNPC	63,741	–
	2,747,335	2,616,617
Less current portion	311,653	124,473
	\$2,435,682	\$2,492,144

EDC

The details of EDC's long-term debts are as follows:

Creditor/Project	Maturities	Interest Rates	September 30, 2014	December 31, 2013 (Audited)
US\$300.0 Million Notes	January 20, 2021	6.5%	\$297,467	\$297,200
Peso Public Bonds				
▪ ₱8.5 billion	June 4, 2015	8.6418%	189,006	190,609
▪ ₱3.5 billion	December 4, 2016	9.3327%	77,562	78,270
International Finance Corporation (IFC)				
▪ IFC 1- ₱4.1 billion	2012-2033	7.4% per annum for the first five years subject to repricing for another five to ten years	67,690	72,152
▪ IFC 2 - ₱3.3 billion	2013-2025	6.6570%	63,276	66,667
Fixed Rate Note Facility (FXCN)				
▪ ₱3.0 billion	2012-2022	6.6173%	64,749	65,726
▪ ₱4.0 billion	2012-2022	6.6108%	86,340	87,646
Refinanced Syndicated Term Loan				
▪ US\$175.0 million	June 27, 2017	LIBOR plus 1.75% margin	129,966	138,457
Fixed Rate Bonds (FXR)				
▪ ₱3.0 billion	May 3, 2020	4.1583%	65,457	66,767
▪ ₱4.0 billion	May 3, 2023	4.7312%	88,108	88,988
US\$80 Million Term Loan	June 21, 2018	LIBOR plus 1.8% margin	75,278	78,260
Bridge Loans				
▪ US\$90.0 million	June 27, 2016	LIBOR plus 0.65% margin	89,366	–
▪ ₱1.4 billion	August 15, 2016	PDST-F plus 2.0% margin	31,096	–
▪ ₱1.3 billion	August 18, 2016	PDST-F plus 2.0% margin	28,873	–
Total			1,354,234	1,230,742
Less current portion			220,490	34,510
Noncurrent portion			\$1,133,743	\$1,196,232

The long-term debts are presented net of unamortized debt issuance costs. A rollforward analysis of unamortized debt issuance costs as of September 30, 2014 and December 31, 2013 is as follows:

	September 30, 2014	December 31, 2013 (Audited)
Balances at beginning of period	\$13,472	\$12,926
Additions during the period	844	4,012
Accretion during the period charged to “Interest expense and financing charges” account (see Note 15)	(1,804)	(2,414)
Foreign exchange differences	(131)	(1,052)
Balances at end of period	<u>\$12,381</u>	<u>\$13,472</u>

EDC Loans

EDC entered into unsecured long-term loan arrangements with domestic and international financial institutions for its various development projects and working capital requirements.

Bridge Loans

On June 16, 2014, EDC signed a two year loan facilities with an aggregate amount of ₱2,700.0 million (\$60.2 million) with Philippine National Bank (PNB) amounting to ₱1,300.0 million (\$29.0 million) and Security Bank Corporation (SBC) mounting to ₱1,400.0 million (\$31.2 million). On August 18, 2014, EDC fully availed the \$60.2 million loan.

On June 27, 2014, EDC has secured another bridge financing facility from Australia and New Zealand Banking Group Limited (ANZ) and Mizuho Bank, Ltd. amounting to \$90.0 million and was fully availed on July 31, 2014.

The bridge loans were partially used to finance the construction of Phase 2 of the 150-MW Burgos Wind Project.

US\$80 Million Term Loan

On March 21, 2013, EDC entered into a credit agreement with certain banks to avail of a term loan facility of up to \$80 million with availability period of 12 months from the date of the agreement.

On December 6, 2013, EDC availed of the full amount of the term loan with maturity date of June 21, 2018. The proceeds are intended to be used by EDC for business expansion, capital expenditures, debt servicing and for general corporate purposes. The term loan carries an interest rate of 1.8% margin plus London Interbank Offered Rate (LIBOR). Debt issuance costs related to the term loan amounted to \$1.9 million, including front-end fees and commitment fee.

The repayment of the term loan shall be made based on the following schedule: 4.0% and 5.0% of the principal amount on the 15th and 39th month from the date of the credit agreement, respectively; and 91.0% of the principal amount on maturity date.

FXR Bonds

On May 3, 2013, EDC issued to the public fixed rate bonds (the “FXR Bonds”) in an aggregate principal amount of \$162.0 million (₱7,000.0 million). The interests on the FXR Bonds are payable semi-annually, in arrears, commencing on November 3, 2013. The net proceeds of the FXR Bonds will be used to partially fund the 87 MW Burgos Wind Project located in Burgos, Ilocos Norte.

US\$300.0 Million Notes

On January 20, 2011, EDC issued a 10-year \$300.0 million notes (₱13,350.0 million) at 6.50% interest per annum which will mature in January 2021. The notes are intended to be used by EDC to support the business expansion plans, finance capital expenditures, service debt obligations and for general corporate purposes. Such notes are listed and quoted on the Singapore Exchange Securities Trading Limited (SGX).

Peso Public Bonds

On December 4, 2009, EDC received ₱12,000.0 million proceeds from the issuance of fixed rate Peso public bonds - split into two tranches - ₱8,500.0 million, due after five years and six months and ₱3,500.0 million, due after seven years, paying a coupon rate of 8.6418% and 9.3327%, respectively. The peso public bonds are also listed on PDEX.

Effective November 14, 2013, certain covenants of the peso public bonds have been aligned with the 2013 peso fixed-rate bonds through consent solicitation exercise held by EDC. Upon securing the required consents, a Supplemental Indenture embodying the parties' agreement on the proposed amendments was signed on November 7, 2013 between EDC and RCBC-Trust and Investments Group in its capacity as trustee for the bondholders.

IFC

EDC entered into a loan agreement with IFC, a shareholder of EDC, on November 27, 2008 for \$100.0 million or its Peso equivalent of ₱4.1 billion. On January 7, 2009, EDC opted to draw the loan in Peso. 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 5 to 10 years. Under the loan agreement, EDC is restricted from creating liens and is subject to certain financial covenants.

On May 20, 2011, EDC signed a 15-year \$75.0 million loan facility with the IFC to fund its medium-term capital expenditures program. The loan was drawn in Peso on September 30, 2011, amounting to ₱3,262.5 million. The loan is payable in 24 equal semi-annual installments after a three-year grace period at an interest rate of 6.657% per annum. The loan includes prepayment option which allows EDC to prepay all or part of the loan anytime starting from the date of the loan agreement until maturity. The prepayment amount is equivalent to the sum of the principal amount of the loan to be prepaid, redeployment cost and prepayment premium.

Issuance of FXCN and Prepayment of FRCN

On July 3, 2009, EDC received ₱7,500.0 million proceeds from the issuance of FRCN split into two tranches. The first tranche of ₱2,644.0 million will mature after five years and the second tranche of ₱4,856.0 million will mature after seven years with a coupon rate of 8.3729% and 9.4042%, respectively. On September 3, 2009, EDC received ₱1,500.0 million proceeds from the additional issuance of FRCN, a 5-year series paying a coupon rate of 8.4321%.

On April 4, 2012, EDC signed a 10-year FXCN facility agreement amounting to ₱7,000.0 million which is divided into two tranches. The proceeds from the first tranche amounting to ₱3,000.0 million were used to prepay in full its FRCN Series One and Series Three for ₱1,774.3 million and ₱1,007.1 million, respectively. Subsequently, on May 3, 2012, the FRCN Series Two was also prepaid in full for ₱4,211.1 million using the proceeds from the second FXCN tranche amounting to ₱4,000.0 million. The FXCN tranches 1 and 2 bears a coupon rate of 6.6173% and 6.6108% per annum, respectively. FRCN Series One and Series Three were originally scheduled to mature in July 2014 while FRCN Series Two was originally scheduled to mature in July 2016.

Refinanced Syndicated Term Loan

On June 17, 2011, EDC entered into a credit agreement for the \$175.0 million (₱7,630.0 million) transferable syndicated term loan facility with Australia and New Zealand Banking Group Limited-Manila Branch (ANZ), BTMU, 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 \$175.0 million syndicated term loan availed on June 30, 2010 with scheduled maturity of June 30, 2013. The new loan carries an interest of LIBOR plus a margin of 175 basis points and has installment repayment scheme to commence on June 27, 2013 until June 27, 2017.

The loan covenants covering its outstanding debts include, among others, maintenance of certain level of current, debt-to-equity and debt-service ratios. As of September 30, 2014 and December 31, 2013, EDC is in compliance with the loan covenants of all its outstanding debts.

Parent Company

\$300.0 Million Notes

On October 9, 2013, the Parent Company issued a \$250.0 million, U.S. Dollar denominated Senior Unsecured Notes (the “Notes”) due on October 9, 2023 at the rate of 6.50% per annum, payable semi-annually in arrears on April 9 and October 9 of each year. On October 31, 2013, additional Notes of \$50.0 million were issued and consolidated to form a single series with the Notes. The \$50.0 million Notes are identical in all respects to the original Notes, other than with respect to the date of issuance and issue price. The Notes are issued in registered form in amounts of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The Notes are represented by a permanent global certificate (“Global Certificate”) in fully registered form that has been deposited with the custodian for and registered in the name of a nominee for a common depositary for Euroclear bank SA/NV and Clearstream Banking, *societe anonyme*. The Notes are listed on the SGX and are traded in a minimum board lot size of \$0.2 million.

The Parent Company may, at its option, redeem all, (but not part) of the Notes at any time at par, plus accrued interest, in the event of certain tax changes. Upon the occurrence of a Change of Control, the Noteholders shall have the right, at its option, to require the Parent Company to repurchase all, (but not part) of the outstanding Notes at a redemption price equal to 101.0% of the principal amount plus accrued and unpaid interest, no earlier than 30 days and no later than 60 days following notice given to Noteholders of a Change of Control. The Parent Company may at any time and from time to time prior to October 9, 2018 redeem all or a portion of the Notes at a redemption price equal to 100.0% of the principal amount of the Notes redeemed, plus the Applicable Premium, accrued and unpaid interest, if any, to (but not including) the date of redemption. In addition, at any time prior to October 9, 2018, the Parent Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes, at a redemption price equal to 106.5% of the principal amount of notes redeemed plus accrued and unpaid interest, with the net cash proceeds of certain equity offerings. Finally, at any time and from time to time after October 9, 2018, the Parent Company may on any one or more occasions redeem all or a part of the Notes at a specified redemption price (expressed in percentages of the principal amount) plus accrued and unpaid interest, if any, to (but not including) the date of redemption.

The Notes are direct, unconditional and unsecured obligations of the Parent Company, ranking *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Parent Company, save for such as may be preferred by mandatory provisions of applicable law.

At inception, the loan was recorded net of debt issuance cost amounting to \$3.5 million. The movements of the unamortized debt issue costs account as of September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014	December 31, 2013 (Audited)
Balance at beginning/inception of the loan	\$3,489	\$3,547
Accretion during the period charged to the “Interest expense and financing charges” account (see Note 15)	(194)	(58)
Balance at end of period	<u>\$3,295</u>	<u>\$3,489</u>

\$100.0 Million Notes Facility

On December 17, 2010 (the “Effective Date”), the Parent Company, Banco de Oro Unibank, Inc. (BDO Unibank), and BDO Capital & Investment Corporation (as Arranger) executed the Notes Facility Agreement granting the Parent Company a facility to borrow an aggregate principal amount of \$100.0 million. The Notes Facility is equally divided into two tranches: (i) Tranche A with a term of six years from drawdown date and (ii) Tranche B with a term of seven years from drawdown date.

On March 29, 2011, the Parent Company availed of \$25.5 million of Tranche A and \$25.5 million of Tranche B. The Parent Company paid a commitment fee of 0.25% per annum on the undrawn amount. On January 2, 2012, the remaining \$24.5 million of Tranche A and \$24.5 million of Tranche B were drawn. The maturity of Tranche A and Tranche B is on March 29, 2017 and March 29, 2018, respectively.

The Notes Facility offered the Parent Company the option of pricing the loan at a fixed or floating rate equivalent to the sum of the applicable benchmark rate and a margin of 2.625% per annum. The Parent Company elected to avail of the loans at fixed interest rates of 6.4979% and 6.8052% for Tranche A and Tranche B, respectively. The interest on the Notes Facility is payable on a semi-annual basis.

On October 11, 2012, the Parent Company and BDO executed Amendment No. 2 to the Notes Facility Agreement to amend the interest rate to 5.09091% for both Tranche A and Tranche B effective October 16, 2012 until the respective maturity dates.

In addition, the Notes Facility imposes standard loan covenants on the Parent Company and requires the Parent Company to maintain a debt service coverage ratio of at least 1.2:1 and a debt-to-equity ratio of at most 2.5:1. The obligations of the Parent Company under the Notes Facility are unsecured.

As of September 30, 2014 and December 31, 2013, the Parent Company is in compliance with the terms of the Notes Facility Agreement.

As of September 30, 2014 and December 31, 2013, the unamortized debt issuance costs incurred amounted to \$1.2 million and \$1.5 million, respectively. The movements of the account are as follows:

	September 30, 2014	December 31, 2013 (Audited)
Balances at beginning of period	\$1,497	\$1,883
Accretion during the period charged to the “Interest expense and financing charges” account (see Note 15)	(297)	(386)
Balances at end of period	<u>\$1,200</u>	<u>\$1,497</u>

FGP

On October 3, 2012 (the “Refinancing Date”), FGP entered into a Facility Agreement covering a \$420.0 million term loan facility with seven local banks namely: BDO Unibank, Bank of the Philippine Islands (BPI), Philippine National Bank (PNB), Rizal Commercial Banking Corporation (RCBC), Union Bank of the Philippines (UBP), The Hongkong and Shanghai Banking Corporation Limited (HSBC), and Security Bank Corporation (Security Bank). The proceeds will be used to repay in full the aggregate principal, accrued interests and fees outstanding under the existing facilities, to fund the debt service reserve amount in the debt reserve account, to fund FGP’s general and corporate working capital requirements, and to upstream the remaining balance to fund investments in other power projects.

On October 22, 2012, FGP availed of the \$420.0 million term loan facility with a 10-year tenor until October 2022. As a result of the refinancing, a portion of the proceeds of the term loan facility was used to pay the outstanding loans of FGP amounting to \$77.4 million, and the remaining balance, after funding of the debt reserve account and payment of other fees and expenses, was upstreamed to First Gen as dividends and advances on November 5, 2012.

With respect to the term loan facility, the interest rate is computed semi-annually, every June and December, using the six-month LIBOR floating benchmark rate plus 225 basis points. Except for the first and the last interest periods wherein the benchmark rate will be the LIBOR for such period nearest to the duration of the first and the last interest periods, respectively. The term loan facility offers FGP the one-time option to reset the floating interest rate to a fixed interest rate to be applicable to all or a portion of the outstanding loans on December 10, 2015 or on December 10, 2017 by informing the facility agent five (5) banking days prior to the effective date of the resetting of the interest rate.

As of September 30, 2014 and December 31, 2013, the unamortized debt issuance costs incurred in connection with the availment of long-term debt amounting to \$3.7 million and \$4.2 million, respectively, were deducted against the outstanding balance of the long-term debts for financial reporting purposes.

The movements of the debt issuance costs are as follows:

	September 30, 2014	December 31, 2013 (Audited)
Balances at beginning of period	\$4,150	\$4,810
Accretion during the period charged to “Interest expense and financing charges” account (see Note 15)	(485)	(660)
Balances at end of period	<u>\$3,665</u>	<u>\$4,150</u>

The covenants in the new term loan facility of FGP's financing agreement, are limited to restrictions with respect to: change in corporate business; amendment of constituent documents; incurrence of other loans; granting of guarantees or right of set-off; maintenance of good, legal and valid title to the critical assets of the site free from all liens and encumbrances other than permitted liens; transactions with affiliates; and maintenance of specified debt service coverage ratio and debt to equity ratio. FGP's real and other properties and shares of stock are no longer mortgaged and pledged as part of security to the lenders. Instead, FGP covenants to its lenders that it shall not permit any indebtedness to be secured by or to benefit from any lien on the critical assets of the site except with the consent of the lenders. As of September 30, 2014 and December 31, 2013, FGP is in compliance with the terms of the said agreement.

FGPC

On November 14, 2008 (the "Refinancing Date"), FGPC entered into a Bank Facility Agreement covering a \$544.0 million term loan facility with nine foreign banks namely: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Calyon, KfW IPEX Bank GMBH, ING Bank N.V. (Singapore Branch), Bayerische Hypo-Und Vereinsbank AG (Hong Kong Branch), Malayan Banking Berhad, Standard Chartered Bank, Société Générale (Singapore Branch) and Kreditanstalt Für Wiederaufbau (KfW) to refinance the Santa Rita project. The term loan is broken down into three separate facilities: (i) a Covered Facility with Political Risk Insurance (PRI) amounting to \$312.0 million with a tenor of 12.5 years, (ii) an Uncovered Facility with a ten year tenor amounting to \$188.0 million, and (iii) the then existing \$44.0 million term loan provided by KfW which matured in November 2012. A portion of the proceeds of the term loan was used to pay outstanding loans of FGPC amounting to \$132.0 million and the remaining balance was upstreamed to shareholders as dividends and advances which are interest-bearing. Such advances are subject to interest rate of 175 basis points over the average of the rate for the six months U.S. dollar deposits quoted by three reputable reference banks in the Philippines, provided however, that such interest rate shall in no case exceed 5.8%.

With respect to the Covered Facility, the interest rate is computed semi-annually, every May and November, using LIBOR plus 325 basis points. This facility is covered by a PRI and premiums payable on the PRI are in addition to the margins payable by FGPC. The Covered Facility will mature on May 10, 2021.

As to the Uncovered Facility, the interest rate is also computed semi-annually, every May and November, using LIBOR plus: (i) 3.50% per annum from the financial close until the 5th anniversary of the Refinancing Date, (ii) 3.75% per annum from the 6th until the 7th anniversary of the Refinancing Date, and (iii) 3.90% per annum from the 8th anniversary of the Refinancing Date until the final maturity date, which is on November 10, 2018.

Bayerische Hypo-Und Vereinsbank AG (Hong Kong Branch) and Société Générale (Singapore Branch) assigned all of their rights and obligations under the common terms of the project financing facility agreement (Common Terms Agreement or CTA) and the Bank Facility Agreement up to a total amount of \$10.0 million (which is comprised of \$5.0 million principal amount of the Covered Facility and \$5.0 million principal amount of the Uncovered Facility) to GE Capital Corporation, and the \$5.5 million principal amount of Uncovered Facility to BDO Unibank, respectively. In 2012, Société Générale (Singapore Branch) assigned all of its rights and obligations under the CTA and the Bank Facility Agreement up to a total amount of \$19.9 million of principal amount of the Covered Facility to Allied Banking Corporation (Allied Bank).

However, the existing swap contracts (see Note 19) with Bayerische Hypo-Und Vereinsbank AG (Hong Kong Branch) and Société Générale (Singapore Branch) were not assigned.

As of September 30, 2014 and December 31, 2013, the unamortized debt issuance costs incurred in connection with FGPC's long-term debts amounting to \$5.3 million and \$6.5 million, respectively, were deducted against the long-term debt for financial reporting purposes.

The movements of the debt issuance costs are as follows:

	September 30, 2014	December 31, 2013 (Audited)
Balances at beginning of period	\$6,455	\$8,209
Accretion during the period charged to "Interest expense and financing charges" account (see Note 15)	(1,151)	(1,754)
Balances at end of period	\$5,304	\$6,455

The CTA of the FGPC financing facility contain covenants concerning restrictions with respect to, among others: maintenance of specified debt service coverage ratio; acquisition or disposition of major assets; pledging present and future assets; change in ownership; any acts that would result in a material adverse effect on the operations of the Santa Rita power plant; and maintenance of good, legal and valid title to the site free from all liens and encumbrances other than permitted liens. As of September 30, 2014 and December 31, 2013, FGPC is in compliance with the terms of the said agreement.

FGPC has also entered into separate agreements in connection with its financing facilities as follows:

- Mortgage, Assignment and Pledge Agreement whereby a first priority lien on most of FGPC's real and other properties, including revenues from the operations of the Santa Rita power plant, has been executed in favor of the lenders. In addition, the shares of stock of FGPC were pledged as part of security to the lenders.
- Inter-Creditor Agreements, which describe the administration of the loans.
- Trust and Retention Agreement (TRA) with the lenders' designated trustees. Pursuant to the terms and conditions of the TRA, FGPC has each established various security accounts with designated account banks, where inflows and outflows of proceeds from loans, equity contributions and project revenues are monitored. FGPC may withdraw or transfer moneys from these security accounts, subject to and in accordance with the terms and conditions of the TRA.

Red Vulcan

On November 26, 2007 (the "Drawdown Date"), Red Vulcan availed of a Philippine peso-denominated staple financing amounting to \$658.8 million (₱29,200.0 million) (the "Secured Indebtedness") that was arranged by the Government's financial advisor for EDC's stake sale under an Omnibus Loan and Security Agreement (the "Staple Financing Agreement"). The Staple Financing was made available by a group of local lenders, namely Development Bank of the Philippines (DBP), Banco de Oro-EPCI, Inc. (BDO) and Land Bank of the Philippines (Land Bank) (collectively referred to as the "Staple Financing Lenders") in relation to the sale of 60% of EDC's issued and outstanding capital stock. The interest rate of the Secured Indebtedness is computed either using monthly, quarterly, or semi-annually at Red Vulcan's option, using the Philippine Dealing System Treasury Fixing (PDST-F) benchmark rate plus the applicable interest margin, whichever is higher. Red Vulcan opted to use a semi-annual rate based on PDST-F. The staple financing was for a maximum term of 18 months from Drawdown Date.

As was set forth in the Staple Financing Agreement, Red Vulcan was obligated to comply with certain covenants with respect to, among others: maintenance of a specified debt-to-equity ratio; not make or permit any material change in the character of its or EDC's business nor engage or

allow EDC to engage in any business operation or activity other than those for which it is presently authorized by law; not dispose of all or substantially all of its and EDC's assets and no material changes in the corporate structure or in the composition of its top-level management. In addition, Red Vulcan is restricted to declare or pay dividends (other than stock dividend) to its stockholders or partners without the consent of all Staple Financing Lenders. Red Vulcan was also restricted, except for permitted borrowings, to incur any long-term debts, increase its borrowings, or re-avail of existing facilities with other banks or financial institutions.

In addition, all of the shares of stock held by Red Vulcan in EDC, which represented 60% of EDC's issued and outstanding capital stock, consisting of 6,000.0 million common stocks and 7,500.0 million preferred stocks (collectively, the "Pledged Shares"), were pledged as primary security for the due and prompt payment of the Secured Indebtedness. The Pledged Shares were adjusted to effect the 25% stock dividend to the shareholders of EDC declared in 2009.

On November 28, 2008, DBP and Land Bank assigned to BDO Unibank, Inc.-Trust and Investments Group (BDO Trust) their corresponding portion of the staple financing loan amounting to \$110.4 million (₱5,310.0 million).

On May 14, 2009 (the "Closing Date"), Red Vulcan signed an amended and restated Omnibus Loan and Security Agreement with BDO and BDO Trust (the "Lenders") to extend the term of the loan for a maximum of five years and one day from the Closing Date, inclusive of two-year grace period on the principal. Interest is payable every May and November of each year at six-month PDST-F benchmark rate plus 2.5% interest margin per annum.

Discharged Shares

- I. On July 11, 2011, pursuant to the amended and restated Omnibus Loan and Security Agreement, the lenders agreed to a partial release of the Pledged Assets and Pledged Shares ("Pledged Securities"). The lenders instructed the Security Trustee to release and discharge the pledge and any and all liens in favor of the lenders on 5,045,508,270 common stock in EDC (the "Discharged Shares"), and the Security Trustee thereafter released and discharged the pledge and any and all liens over the Discharged Shares. After the release of the Discharged Shares, the Pledged Securities now consisted of the Pledged Assets on 209,913,000 common stock and preferred stock of Red Vulcan and the Pledged Shares on 2,454,491,730 common stock and 9,375,000,000 preferred stock of EDC.
- II. On February 21, 2013, pursuant to amendment and restated Omnibus Loan and Security Agreement (Amendment No. 4), the lenders agreed to a release of the Pledged Assets and a partial release of the Pledged Shares. The lenders instructed the Security Trustee to release and discharge the pledge and any and all liens in favor of the lenders on 209,913,000 common stock and preferred stock of Red Vulcan and on 9,375,000,000 preferred stock of EDC. After the release of the Discharged Shares, the Pledged Securities now only consists of the Pledged Shares on 2,454,491,730 common stock of EDC.

Also pursuant to Amendment No. 4 of the Staple Financing Agreement, the lenders agreed to extend the term of the loan for another three years and six months from the original maturity date of May 15, 2014. The loan will mature on November 14, 2017.

The unamortized debt issuance costs incurred in connection with the availment of long-term debt by Red Vulcan are deducted against the long-term debt. Movements of debt issuance costs are as follows:

	September 30, 2014	December 31, 2013 (Audited)
Balances at beginning of period	\$921	\$566
Additions during the period	–	832
Accretion during the period charged to “Interest expense and financing charges” account (see Note 15)	(270)	(413)
Foreign exchange difference	(6)	(64)
Balances at end of period	<u>\$645</u>	<u>\$921</u>

FG Hydro

On May 7, 2010, FG Hydro signed a loan agreement for a \$112.0 million (₱5,000.0 million) Peso loan with PNB and Allied Bank with a tenor of ten years. The loan is secured by a Real Estate and Chattel mortgages on all present and future mortgageable assets of FG Hydro. The loan carried interest at 9.025% subject to re-pricing after five years.

On November 7, 2012, FG Hydro’s outstanding loan amounting to \$103.8 million (₱4,300.0 million) was restructured by way of an amendment to the loan agreement. The amended agreement provided for a change in the determination of the applicable interest rates and extended the maturity date of the loan by two years with the last repayment to be made on November 7, 2022. FG Hydro had the option to select its new applicable interest rate between a fixed or a floating interest rate. FG Hydro opted to avail of the loan at the floating rate which was the higher of the six-month PDST-F rate plus a margin of 1.50% per annum or the BSP overnight rate plus a margin of 1% per annum as determined on the interest rate setting date. For the first interest period, the applicable rate was determined as the BSP overnight rate of 3.5% plus 1% margin. The principal and interest on the loan are payable on a semi-annual basis. Interest rates are determined at the beginning of every interest period. FG Hydro has a one-time option to convert to a fixed interest rate for the remaining life of the loan at least five days before any interest setting date. The principal and the interest on the loan are payable on semi-annual basis.

The loan restructuring resulted to substantial modification of the terms of the original loan; hence, the original loan was considered extinguished. Amortization of the remaining transaction cost of the original loan amounting to \$1.2 million was accelerated and the transaction cost incurred for the restructured loan amounting to \$0.5 million was recognized as part of the loss on extinguishment of debt.

With the merger of PNB and Allied Bank in February 2013, FG Hydro’s outstanding loan as of that date was consolidated under PNB.

FG Hydro is obligated to comply with certain covenants with respect to maintaining specified debt-to-equity and minimum debt service coverage ratios, as set forth in its loan covenant with creditors. As of September 30, 2014 and December 31, 2013, FG Hydro is in compliance with those covenants.

FNPC

On July 10, 2014, FNPC signed a \$265.0 million Export Credit Facility with KfW IPEX-Bank of Germany (KfW) with a tenor of 13.7 years to partially finance the 414-MW San Gabriel natural gas-fired power project. This facility has an export credit guarantee provided by Euler Hermes, acting on behalf of the Federal Republic of Germany. The proceeds of the loan will be used

primarily to finance the eligible German and non-German goods and services under the Supply Contract of FNPC with Siemens AG, the equipment supplier. FNPC (as the Borrower) and AlliedGen (as the Pledgor) also signed a Pledge Agreement wherein AlliedGen has pledged over 100% of the issued and outstanding capital stock of FNPC in favor of KfW. Furthermore, First Gen signed a Guarantee and Indemnity Agreement with KfW, guaranteeing FNPC's punctual performance on all its payment obligations under the Export Credit Facility loan agreement.

With respect to the Export Credit Facility, the interest is paid semi-annually, every March and September, using the fixed interest rate (per annum) of 3.12% plus 25 basis points.

On September 8, 2014, FNPC made a first drawdown amounting to \$70.7 million.

In addition, FNPC pays a commitment fee 0.6% per annum on the undrawn amount. As of September 30, 2014, total deferred debt issuance costs pertaining to the undrawn portion amounts to \$19.2 million. This amount is included in the "Other noncurrent assets" account in the unaudited interim consolidated statement of financial position (see Note 10).

At inception, the loan was recorded net of debt issuance cost amounting to \$7.0 million. The movements of the unamortized debt issue costs account as of September 30, 2014 are as follows:

Balance at inception of the loan	\$6,996
Accretion during the period charged to "Interest expense and financing charges" account (see Note 15)	(47)
Foreign exchange difference	(1)
Balances at end of period	\$6,948

13. Other Noncurrent Liabilities

	September 30, 2014	December 31, 2013 (Audited)
Asset retirement obligations	\$17,308	\$16,084
Accrued sick and vacation leaves	7,682	8,738
Others	12,561	10,616
	\$37,551	\$35,438

Asset retirement obligations

This account consists of the asset retirement obligations of FGP, FGPC and FG Bukidnon. Under their respective ECC's, FGP and FGPC have legal obligations to dismantle their respective power plant assets at the end of their useful lives. FG Bukidnon, on the other hand, has contractual obligation under the lease agreement with PSALM to dismantle its power plant asset at the end of its useful life. FGP, FGPC and FG Bukidnon established their respective provisions to recognize their estimated liability for the dismantlement of the power plant assets.

This account also includes the provision for rehabilitation and restoration costs of EDC which pertain to the present value of estimated costs of legal and constructive obligations required to restore all the existing sites upon termination of the cooperation period. The nature of these restoration activities includes dismantling and removing structures, rehabilitating wells, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is constructed or the ground or environment at the site is disturbed. When the liability is initially recognized, the

present value of the estimated costs is capitalized as part of the carrying amount of the related FCRS and production wells (see Note 8).

Accrued sick and vacation leaves

Sick and annual vacation leaves with pay are given to active employees subject to certain requirements set by EDC. These leaves are convertible into cash upon separation of the employees. At the end of the year, any remaining unused sick and vacation leave are accrued up to maximum allowed number of leave credits which is based on the employees' length of service with EDC. Vacation and sick leave credits exceeding the maximum allowed for accrual are forfeited.

The "Others" account include EDC's estimate of the probable costs for the resolution of EDC's pending assessments from various regulatory agencies and pending legal cases. Such estimated costs were developed in consultation with in-house and external legal counsels and are based on the analysis of the potential outcomes. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

14. Equity

a. Capital Stock

As of September 30, 2014, the Parent Company's redeemable preferred stocks consist of the following:

- The Series "B" preferred stocks have voting rights, entitled to cumulative dividends of two centavos (₱0.02) a share and redeemable at the option of the Parent Company and redeemable at issue price.
- The Series "E" preferred stocks have voting rights, entitled to receive dividends at one centavo (₱0.01) a share and redeemable at the option of the Parent Company.
- The Series "F" preferred stocks have non-voting rights except in the cases provided by law, issue value of one hundred pesos (₱100) a share, dividend rate of 8.0% on the issue price, entitled to receive cumulative dividends, and redeemable at the option of the Parent Company at a redemption price equal to its issue price.
- The Series "G" preferred stocks have non-voting rights except in the cases provided by law, issue value of one hundred pesos (₱100) a share, dividend rate of 7.7808% on the issue price, entitled to receive cumulative dividends, and redeemable at the option of the Parent Company at a redemption price equal to its issue price.

Preferred stocks, regardless of series, are non-participating and non-convertible to common stocks.

On May 16, 2012, the BOD of the Parent Company approved the extension of the two-year share buyback program which was previously approved by the BOD of the Parent Company on May 12, 2010 covering up to 300.0 million of the Parent Company's common shares representing approximately 9% of the Parent Company's total outstanding common shares. The number of shares and buy back period are subject to revision from time to time as circumstances may warrant, subject to the proper disclosures to regulatory agencies, by the BOD of the Parent Company. The Parent Company will undertake a buy back transaction only if and to the extent that the price per share is deemed extremely undervalued, if share prices are considered highly volatile, or in any other instance where the Parent Company

believes that a buy back will result in enhancing shareholder value. On May 12, 2014, the stockholders and the BOD of the Parent Company approved the extension of the buy-back program for another two years from June 1, 2014 to May 31, 2016 under the same terms and conditions as the original share buyback program. There are no stocks purchased under the program from May 16, 2012 to September 30, 2014.

During the May 12, 2014 Annual Stockholders' Meeting, the stockholders and the BOD of the Parent Company approved a two-year buyback program covering the repurchase of up to ₱5.0 billion worth of Series "F" and "G" redeemable preferred stocks from the open market. The two-year period commenced on June 1, 2014 and will end on May 31, 2016. Under the Series "F" and "G" redeemable preferred stocks buyback program, the maximum amount of the shares and buyback period will be subject to revision by the BOD from time to time as circumstances warrant, subject to proper disclosures to regulatory agencies. The program will not involve active and widespread solicitation from shareholders in general, and not adversely affect the Parent Company's prospective and existing development projects. The program will be executed in open market through the trading facilities of the PSE and be implemented under the supervision of the Parent Company's CEO, President and CFO.

b. Retained Earnings

On October 1, 2014, the BOD of the Parent Company approved the declaration of cash dividends on its issued and outstanding common stocks at the rate of ₱0.35 a share with record date of October 16, 2014 and payment date of October 30, 2014.

On June 16, 2014, the BOD of the Parent Company approved the declaration of cash dividends on its issued and outstanding redeemable preferred stocks as follows:

- For all outstanding Series "F" perpetual preferred stocks, cash dividends of four pesos (₱4.00) a share with record date of July 1, 2014 and payment date of July 25, 2014;
- For the 120.0 million Series "G" perpetual preferred stocks (consisting of 100.0 million shares that was issued by way of follow-on offering in May 2012 and 20.0 million shares that was topped-up by FPH), cash dividends of ₱3.8904 a share with record date of July 1, 2014 and payment date of July 25, 2014; and,
- For the 13.75 million Series "G" perpetual preferred stocks issued to FPH by way of private placement, cash dividends of ₱0.38904 a share with record date of July 1, 2014 and payment date of July 25, 2014.

On November 21, 2013, the BOD of the Parent Company approved the declaration of cash dividends on its issued and outstanding redeemable preferred stocks as follows:

- For all outstanding Series "B" preferred stocks, cash dividends of two centavos (₱0.02) a share with record date of January 2, 2014 and payment date of January 27, 2014;
- For all outstanding Series "E" preferred stocks, cash dividends of one centavo (₱0.01) a share with record date of January 2, 2014 and payment date of January 27, 2014;
- For all outstanding Series "F" perpetual preferred stocks, cash dividends of four pesos (₱4.00) a share with record date of January 2, 2014 and payment date of January 27, 2014;
- For the 120.0 million Series "G" perpetual preferred stocks (consisting of 100.0 million shares that was issued by way of follow-on offering in May 2012 and 20.0 million shares

that was topped-up by FPH), cash dividends of ₱3.8904 a share with record date of January 2, 2014 and payment date of January 27, 2014; and,

- For the 13.75 million Series “G” perpetual preferred stocks issued to FPH by way of private placement, cash dividends of ₱0.38904 a share with record date of January 2, 2014 and payment date of January 27, 2014.

On July 10, 2013, the BOD of the Parent Company approved the declaration of cash dividends on its issued and outstanding common stocks at the rate of ₱0.50 a share with record date of July 25, 2013 and payment date of August 19, 2013.

The retained earnings balance is restricted to the extent of: (a) acquisition price of the treasury shares amounting to \$72.2 million and \$62.3 million as of September 30, 2014 and December 31, 2013, respectively, and (b) the undistributed net earnings of investee companies (including consolidated subsidiaries) amounting to \$374.3 million and \$220.5 million as of September 30, 2014 and December 31, 2013, respectively. Undistributed earnings of the investee companies are not available for dividend distribution until such time that the Parent Company receives the dividends from these investee companies.

c. Treasury Stocks

Movements in the number of common stocks held in treasury shares are as follows:

	September 30, 2014	December 31, 2013 (Audited)
Balances at beginning of period	308,251,700	298,151,700
Common stocks acquired through market by subsidiaries during the period	22,779,700	10,100,000
Balances at end of period	331,031,400	308,251,700

15. Costs and Expenses

Costs of sale of electricity

	For the Nine Months Ended September 30	
	2014	2013
Fuel cost	\$638,656	\$694,917
Depreciation and amortization (Notes 8 and 9)	110,527	111,936
Power plant operations and maintenance	116,825	112,367
Others	26,720	25,115
	\$892,728	\$944,335

General and administrative expenses

	For the Nine Months Ended September 30	
	2014	2013
Staff costs	\$43,863	\$37,614
Insurance, taxes and licenses	34,922	26,448
Professional fees	34,779	27,200
Depreciation and amortization (Notes 8 and 9)	7,973	7,447
Parts and supplies issued	3,888	1,868
Repairs and maintenance	4,070	2,290
Provision for doubtful accounts – net of recovery	1,091	683
Provision for impairment of parts and supplies inventories	145	562
Others	12,679	11,400
	\$143,410	\$115,512

Interest Expense and Financing Charges

	For the Nine Months Ended September 30	
	2014	2013
Interest on:		
Loans and bonds	\$107,835	\$93,489
Swap fees	10,782	11,123
Accretion on:		
Debt issuance cost (Note 12)	4,248	4,126
Asset retirement obligation (Note 13)	634	504
Liability for litigation	132	–
	\$123,631	\$109,242

16. Earnings Per Share Calculation

	For the Nine Months Ended September 30	
	2014	2013
(a) Net income attributable to equity holders of the Parent Company	\$162,820	\$118,236
Less dividends on preferred stocks	7,883	7,773
(b) Net income available to common stocks	154,937	110,463
Add interest expense and accretion on debt issuance costs on CBs	–	544
(c) Net income available to common stocks adjusted for the effect of conversion of stock option and CBs	154,937	111,007
(d) Weighted average number of common stocks for basic earnings per share	3,321,183,334	3,363,644,222
Effect of conversion of:		
Stock options	–	43,244
Convertible bonds	–	9,532,913
(e) Weighted average number of common stocks for diluted earnings per share	3,321,183,334	3,373,220,379
Basic/Diluted Earnings Per Share (b/d)	\$0.047	\$0.033

For the nine months ended September 30, 2013, the conversion of the convertible bonds has an anti-dilutive effect while the conversion of stock options did not have any impact on the diluted earnings per share calculation; thus, the diluted earnings per share is the same as the basic earnings per share.

17. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors and stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

The following are the significant transactions with related parties:

- a. Due to related parties represent noninterest-bearing U.S. dollar and Philippine peso-denominated emergency loans to meet working capital and investment requirements of First Gen Group.
- b. First Gen Group leases its office premises, where its corporate offices are located from First Philippine Realty Corporation (FPRC), a subsidiary of FPH.
- c. The Parent Company is engaged as EDC's consultant to render services pertaining to financial, business development and other matters under a Consultancy Agreement beginning September 1, 2008. Such agreement was for a period of three years up to August 31, 2011. On October 10, 2011, the Parent Company and EDC agreed to extend the Consultancy Agreement for a period of 16 months from September 1, 2011 to December 31, 2012 with the same monthly fee of ₱11.8 million, net of withholding taxes plus VAT. On January 30, 2013, the Parent Company and EDC agreed to further extend the Consultancy Agreement for a period of another two years from January 1, 2013 to December 31, 2014, for a monthly fee of \$0.3 million (₱12.8 million, net of withholding taxes plus VAT).
- d. IFC is a shareholder of EDC that has approximately 5% ownership interest in EDC. On May 20, 2011, EDC signed a 15-year \$75.0 million loan facility with IFC. The loan was drawn in Peso on September 30, 2011, amounting ₱3,262.5 million.

On November 27, 2008, EDC entered into a loan agreement with IFC for \$100.0 million or its Peso equivalent of ₱4.1 billion. On January 7, 2009, EDC 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. 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, EDC is restricted from creating liens and is subject to certain financial covenants. This loan is included under the "Long-term debts" account in the unaudited interim consolidated statements of financial position (see Note 12).

- e. Following the usual bidding process in 2010, EDC awarded to First Balfour a procurement contract for various works such as civil, structural and mechanical/piping works in EDC's geothermal power plants. EDC also engaged the services of Thermaprime Well Services, Inc. (Thermaprime), a subsidiary of First Balfour, for the drilling services such as, but not limited to, rig operations, rig maintenance, well design and engineering. As of September 30, 2014 and December 31, 2013, the outstanding balances of EDC's payables to First Balfour and Thermaprime totaled to \$9.5 million and \$5.2 million, respectively, recorded under

“Accounts payable and accrued expenses” account in the unaudited interim consolidated statements of financial position (see Note 11).

On January 29, 2014, EDC entered into a contract with Thermaprime Well Services, Inc. (Thermaprime) for the sale of Rig 16 and its ancillary items for an amount of \$18.6 million, exclusive of applicable VAT. The gain on sale amounted to \$5.6 million.

On July 24, 2014, EDC sold Rig 15 to Thermaprime Well Services Inc. for \$18.6 million and recognized gain on sale amounting to \$1.3 million (see Note 20).

First Balfour is a wholly owned subsidiary of FPH.

f. Intercompany Guarantees

During the May 12, 2014 Annual Stockholders’ Meeting and Organizational Meeting of the BOD of the Parent Company, the stockholders and the BOD of the Parent Company approved the confirmation, ratification and approval of the authority of the Parent Company, pursuant to Clause (i) of the Second Article of the Parent Company’s Amended Articles of Incorporation, to act as a guarantor or co-obligor or assume any obligation of any person, corporation or entity in which the Corporation may have an interest, directly or indirectly, including but not limited to FNPC, which is the operating company of the 414 MW San Gabriel power plant and PMPC, which is the operating company of the 97 MW Avion power plant, under such terms and conditions as the Parent Company’s duly authorized representatives may deem necessary, proper or convenient in the best interests of the Parent Company and its relevant subsidiary.

EDC Chile Limitada, 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 EDC. Letters of credit amounting to \$80.0 million were issued by EDC in favor of EDC Chile Limitada as evidence of its financial support.

Terms and Conditions of Transactions with Related Parties. Except for the \$80.0 million letters of credit issued by EDC in favor of EDC Chile Limitada as mentioned above, the outstanding balances at the end of each period are unsecured and interest-free and settlement occurs in cash. Details of amounts due from related parties (included in the “Receivables” account) and due to related parties are as follows:

Related Party	Nature of Transactions	Terms	Transactions for the periods ended		Net Amounts due from/to related parties	
			September 30, 2014	December 31, 2013 (Audited)	September 30, 2014	December 31, 2013 (Audited)
Due from related parties*						
		Unsecured & payable by demand				
FPIC	Interest-free advances		(\$8)	(\$64)	\$769	\$777
LIRF	- do -	- do -	(350)	77	101	451
FGNEC	- do -	- do -	(16)	10	184	200
Quialex Realty Corporation (QRC)	- do -	- do -	7	26	192	185
Others	- do -	- do -	(87)	138	1,140	1,227
			(\$454)	\$167	\$2,386	\$2,840

Related Party	Nature of Transactions	Terms	Transactions for the periods ended		Net Amounts due from/to related parties	
			September 30, 2014	December 31, 2013 (Audited)	September 30, 2014	December 31, 2013 (Audited)
Due to related parties						
FGHC International Ltd.	Interest-free advances	Unsecured & payable by demand	\$—	\$—	\$145	\$145
	Donation to Lopez Museum					
LHC		- do -	(113)	114	—	113
			(113)	\$114	\$145	\$258

*Included as part of "Receivables" (see Note 5 to the unaudited interim condensed consolidated financial statements).

LIRF and QRC are shareholders of Prime Terracota.

Due from/to related parties - Others are advances to/from FPH, LHC and FPH Capital Resources, Inc. (FCRI). LHC is a stockholder of FPH. FPH is a stockholder of FCRI.

18. Financial Risk Management Objectives and Policies

First Gen Group's principal financial liabilities comprise trade payables, loans payable, and long-term debts, among others. The main purpose of these financial liabilities is to raise financing for First Gen Group's growth and operations. First Gen Group has other various financial assets and liabilities such as cash and cash equivalents, receivables, amounts due to and from related parties and accounts payable and accrued expenses, which arise directly from its operations.

As a matter of policy, First Gen Group does not trade its financial instruments. However, First Gen Group enters into derivative and hedging transactions, primarily interest rate swaps, cross currency swap and foreign currency forwards, as needed, for the sole purpose of managing the relevant financial risks that are associated with First Gen Group's borrowing activities and as required by the lenders in certain cases.

First Gen Group has an Enterprise Wide Risk Management Program which is aimed to identify risks based on the likelihood of occurrence and impact to the business, formulate risk management strategies, assess risk management capabilities and continuously monitor the risk management efforts.

The main financial risks arising from First Gen Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The BOD reviews and approves policies for managing each of these risks as summarized below.

Interest Rate Risk

First Gen Group's exposure to the risk of changes in market interest rate relates primarily to First Gen Group's long-term debt obligations that are subject to floating interest rates.

First Gen Group believes that prudent management of its interest cost will entail a balanced mix of fixed and variable rate debt. On a regular basis, the Finance team of First Gen Group monitors the interest rate exposure and presents it to management by way of a compliance report. To manage the exposure to floating interest rates in a cost-efficient manner, First Gen Group may consider prepayment, refinancing, or entering into derivative instruments as deemed necessary and feasible.

In November 2008, FGPC entered into interest rate swap agreements to cover the interest payments for up to 91% of its combined debt under the Covered and Uncovered Facilities. In 2013, FGP entered into three interest rate swap agreements to cover interest payments up to 24.33% of its Term Loan Facility. Under the swap agreements, FGPC and FGP agreed to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to the agreed-upon notional principal amounts. As of September 30, 2014 and December 31, 2013, approximately 68.0% and 70.4%, respectively, of First Gen Group's borrowings are subject to fixed interest rate after considering the effect of its interest rate swap agreements.

Interest Rate Risk Table

The following table sets out the carrying amount, by maturity, of First Gen Group's financial instruments that are exposed to interest rate risk (amounts in millions):

	September 30, 2014					
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	Total
Fixed Rate						
Long-term debts:						
Covered Facility*	7.65%	\$14.28	\$37.15	\$70.77	\$123.26	\$245.46
Uncovered Facility*	7.56% – 7.96%	16.21	39.47	18.72	–	74.40
Term Loan Facility*	1.28% – 1.43%	5.35	15.57	19.47	55.23	95.62
Notes Facility	5.09%	4.00	49.50	42.50	–	96.00
Parent \$300M Notes	6.50%	–	–	–	300.00	300.00
EDC \$300M Notes	6.50%	–	–	–	300.00	300.00
Public Bonds						
Series 1	8.64%	189.42	–	–	–	189.42
Series 2	9.33%	–	77.99	–	–	77.99
IFC 1	7.40%	7.62	15.24	15.24	30.41	68.51
IFC 2	6.66%	5.60	11.20	11.20	36.31	64.31
FXCN						
¥3.0 billion	6.62%	0.67	1.34	1.34	62.17	65.52
¥4.0 billion	6.61%	0.89	1.78	1.78	82.90	87.35
FXR Bonds						
¥3.0 billion	4.16%	–	–	–	66.85	66.85
¥4.0 billion	4.73%	–	–	–	89.14	89.14
FNPC Term Facility	3.37%	–	8.84	11.78	50.07	70.69
Floating Rate						
Long-term debts:						
Uncovered Facility	4.11%	5.40	13.16	6.24	–	24.80
Term Loan Facility	2.57%	16.65	48.43	60.53	171.77	297.38
Staple Financing	4.51%	27.86	74.65	23.96	–	126.47
PNB and Allied Bank Loan	4.50%	8.05	26.99	20.36	27.94	83.34
US\$80M Term loan	2.03%	–	4.00	72.80	–	76.80
US\$175M Refinanced						
Syndicated Term loan	2.00% – 2.06%	17.50	113.75	–	–	131.25
EDC Bridge Loans						
\$90.0 million	0.81%	–	90.00	–	–	90.00
¥1.4 billion	4.00%	–	31.20	–	–	31.20
¥1.3 billion	4.00%	–	28.97	–	–	28.97

* Including effect of interest rate swap

	December 31, 2013 (Audited)					
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	Total
Fixed Rate						
Long-term debts:						
Covered Facility*	7.65%	\$15.40	\$35.29	\$49.58	\$155.21	\$255.48
Uncovered Facility*	7.56% – 7.96%	16.63	37.74	33.37	–	87.74
Term Loan Facility*	1.28% – 1.43%	4.38	14.60	18.49	60.34	97.81
Notes Facility	5.09%	2.50	9.75	86.25	–	98.50
Parent \$300M Notes	6.50%	–	–	–	300.00	300.00
EDC \$300M Notes	6.50%	–	–	–	300.00	300.00
Public Bonds						
Series 1	8.64%	–	191.46	–	–	191.46
Series 2	9.33%	–	78.84	–	–	78.84
IFC 1	7.40%	7.71	15.40	15.40	34.59	73.10
IFC 2	6.66%	5.66	11.32	11.32	39.53	67.83
FXCN						
₪3.0 billion	6.62%	0.68	1.35	1.35	63.18	66.56
₪4.0 billion	6.61%	0.90	1.80	1.80	84.25	88.75

December 31, 2013 (Audited)						
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	Total
FXR Bonds						
P3.0 billion	4.16%	—	—	—	67.58	67.58
P4.0 billion	4.73%	—	—	—	90.10	90.10
<u>Floating Rate</u>						
Long-term debts:						
Uncovered Facility	3.61%	5.54	12.58	11.12	—	\$29.24
Term Loan Facility	2.59%	13.62	45.40	57.51	187.66	304.19
Staple Financing	2.95%	27.03	67.57	46.75	—	141.35
PNB and Allied Bank Loan	4.5%	7.66	26.80	20.10	33.51	88.07
US\$80M Term Loan	2.04%	3.20	4.00	72.80	—	80.00
US\$175M Refinanced						
Syndicated Term loan	2.00% – 2.06%	17.50	35.00	87.50	—	140.00

* Including effect of interest rate swap

Interest on financial instruments classified as floating rate is repriced semi-annually on each interest payment date. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of First Gen Group that are not included in the foregoing tables are noninterest-bearing and are therefore not subject to cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates for the nine months ended September 30, 2014 and 2013, with all other variables held constant, of First Gen Group's income before income tax and equity (through the impact of floating rate borrowings, derivative assets and liabilities):

	Increase (Decrease) in Basis Points	Increase (Decrease) on Income Before Income Tax	Increase (Decrease) on Equity
September 30, 2014			
U.S. Dollar	+100	(\$4.47 million)	(\$2.43 million)
	-100	4.47 million	(5.60 million)
Philippine Peso	+100	(1.02 million)	—
	-100	1.02 million	—
September 30, 2013			
U.S. Dollar	+100	(\$2.83 million)	\$13.95 million
	-100	2.83 million	(11.44 million)
Philippine Peso	+100	(0.86 million)	—
	-100	0.86 million	—

The effect of changes in interest rates in equity pertains to the fair valuation of derivatives designated as cash flows hedges and is exclusive of the impact of changes affecting First Gen Group's unaudited interim consolidated statements of income.

Foreign Currency Risk

First Gen Group's exposure to foreign currency risk arises as the functional currency of the Parent Company and certain subsidiaries, the U.S. dollar, is not the local currency in its country of operations. Certain financial assets and liabilities as well as some costs and expenses are denominated in various foreign currencies. To manage the foreign currency risk, First Gen Group may consider entering into derivative transactions, as necessary. FGPC and FGP also entered into several foreign currency contracts to hedge their foreign exchange exposure from their Euro-denominated payables. In the case of EDC, it entered into non-deliverable cross-currency swaps to hedge its foreign currency risk exposure on its U.S. dollar denominated loans in 2012.

For EDC, its exposure to foreign currency risk is mitigated to some degree by some provisions of its GRESC's, SSA's and PPA's. The service contracts allow full cost recovery while its sales

contracts include billing adjustments covering the movements in Philippine peso and the U.S. dollar rates, U.S. Price and Consumer Indices, and other inflation factors.

The following table sets out the foreign currency-denominated monetary assets and liabilities (translated into U.S. dollar) as of September 30, 2014 and December 31, 2013 that may affect the unaudited interim condensed consolidated financial statements of First Gen Group (amounts in millions):

September 30, 2014						
Original Currency						
	Philippine Peso- denominated Balances	Euro- denominated Balance	Japanese Yen- denominated Balance	Chilean Peso denominated Balance	New Zealand dollar denominated Balance	Equivalent U.S. Dollar Balances ¹
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	₱13,886.7	€1.5	¥–	CHP338.4	NZ\$–	\$411.8
Receivables	6,683.5	–	–	–	–	148.9
Long-term receivables	120.0	–	–	–	–	2.7
	20,690.2	1.5	–	338.4	–	563.4
AFS financial assets	315.9	–	–	–	–	7.0
Total financial assets	21,006.1	1.5	–	338.4	–	570.4
Liabilities at amortized cost:						
Accounts payable and accrued expenses	6,663.5	6.9	14.1	–	0.6	191.5
Long-term debts	43,596.9	–	–	–	–	971.5
Total financial liabilities	50,260.4	6.9	14.1	–	0.6	1,163.0
Net financial liabilities (assets)	₱29,254.3	€5.4	¥14.1	(CHP338.4)	NZ\$0.6	\$592.6

¹ US\$1=₱44.875, US\$1=€0.730, US\$1=¥101.135, US\$1= SEK6.709 and US\$1= NZD1.137 as of September 30, 2014

December 31, 2013 (Audited)								
Original Currency								
	Philippine Peso- denominated Balances	Euro- denominated Balance	Japanese Yen- denominated Balance	Chilean Peso denominated Balance	New Zealand dollar denominated Balance	Sweden kroner denominated Balance	Great Britain Pound- denominated Balance	Equivalent U.S. Dollar Balances ¹
Financial Assets								
Loans and receivables:								
Cash and cash equivalents	₱16,609.2	€–	¥–	CHP96.0	NZ\$–	SEK–	£–	\$374.1
Receivables	4,826.0	–	–	–	–	–	–	108.7
Long-term receivables	15.1	–	–	–	–	–	–	0.3
	21,450.3	–	–	96.0	–	–	–	483.1
AFS financial assets	347.8	–	–	–	–	–	–	7.8
Total financial assets	21,798.1	–	–	96.0	–	–	–	490.9
Financial Liabilities								
Liabilities at amortized cost:								
Accounts payable and accrued expenses	6,485.4	6.5	13.8	–	0.6	1.3	0.1	156.0
Dividends payable	896.9	–	–	–	–	–	–	20.2
Long-term debts	41,973.7	–	–	–	–	–	–	945.5
Total financial liabilities	49,356.0	6.5	13.8	–	0.6	1.3	0.1	1,121.7
Net financial liabilities (assets)	₱27,557.9	€6.5	¥13.8	(CHP96.0)	NZ\$0.6	SEK1.3	£0.1	\$630.8

¹ US\$1=₱44.395, US\$1=€0.73, US\$1=¥104.73, US\$1=CHP3.75, US\$1= NZ1.226, US\$1= SEK6.538 and US\$1= £0.61 as of December 31, 2013

The following table sets out, for the nine months ended September 30, 2014 and the year ended December 31, 2013, the impact of the range of reasonably possible movement in the U.S. dollar, European Euro, Japanese Yen, Great Britain Pound, New Zealand Dollars and Philippine Peso exchange rates with all other variables held constant, First Gen Group's income before income tax and equity (due to changes in the revaluation of monetary assets and liabilities):

September 30, 2014			
	Foreign Currency Appreciates (Depreciates) By	Increase (Decrease) on Income Before Income Tax	Increase (Decrease) on Equity
<i>(Amounts in Millions)</i>			
Philippine Peso	2%	\$0.36	(\$13.14)
	(2%)	(0.37)	13.67
European Euro	3%	(0.26)	1.99
	(3%)	0.26	(1.87)
Japanese Yen	10%	(3.06)	—
	(10%)	3.74	—
Chilean Peso	10%	(9.13)	—
	(10%)	11.16	—
New Zealand Dollar	10%	(0.04)	—
	(10%)	0.05	—
December 31, 2013 (Audited)			
	Foreign Currency Appreciates (Depreciates) By	Increase (Decrease) on Income Before Income Tax	Increase (Decrease) on Equity
<i>(Amounts in Millions)</i>			
Philippine Peso	2%	\$0.87	(\$13.04)
	(2%)	(0.90)	13.60
European Euro	3%	(0.37)	—
	(3%)	0.37	—
Japanese Yen	10%	(0.01)	—
	(10%)	0.01	—
Sweden Kroner	10%	(0.02)	—
	(10%)	0.02	—
New Zealand Dollar	10%	(0.05)	—
	(10%)	0.06	—
Chilean Peso	10%	(2.33)	—
	(10%)	2.84	—
Great Britain Pound	10%	(0.02)	—
	(10%)	0.03	—

The effect of changes in foreign currency rates in equity pertains to the fair valuation of the derivatives designated as cash flow hedges and is exclusive of the impact of changes affecting First Gen Group's unaudited interim consolidated statements of income.

Credit Risk

First Gen Group trades only with recognized, reputable and creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is First Gen Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the level of the allowance account is reviewed on an ongoing basis to ensure that First Gen Group's exposure to doubtful accounts is not significant.

In the case of EDC, the geothermal and power generation businesses trade with its majority customer, NPC, which is a government-owned-and-controlled corporation. Any failure on the part of NPC to pay its obligations to EDC would significantly affect EDC's business operations. As a practice, EDC 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 EDC's exposure to bad debts is not significant. The maximum exposure of trade receivable is equal to the carrying amount.

With respect to credit risk arising from the other financial assets of First Gen Group, which comprise of cash and cash equivalents, excluding cash on hand, and trade and other receivables, First Gen Group's exposure to credit risk arises from a possible default of the counterparties with a maximum exposure equal to the carrying amount of these instruments.

Credit Risk Exposure. The table below shows the gross maximum exposure to credit risk of First Gen Group as of September 30, 2014 and December 31, 2013.

	September 30, 2014	December 31, 2013 (Audited)
Financial assets accounted for as cash flow hedge		
Derivative assets	\$5,952	\$4,317
Financial assets at FVPL		
Designated as at FVPL	11,318	–
Derivative assets	–	170
Total financial assets at FVPL	11,318	170
Loans and receivables		
Cash and cash equivalents *	790,197	869,578
Receivables:		
Trade	336,998	323,130
Due from related parties	2,386	2,840
Others	13,997	10,930
Long-term receivables	2,674	2,004
Special deposits and funds	5,458	4,009
Other current assets	312	218
Total loans and receivables	1,152,022	1,212,709
AFS financial assets		
Debt securities	5,734	7,700
Equity securities	292	7,086
Proprietary club membership shares	1,014	744
Total AFS financial assets	7,040	15,530
	\$1,176,332	\$1,232,726

* Excluding cash on hand

First Gen Group does not hold collateral for its financial assets as security.

The following tables show First Gen Group's aging analysis of financial assets as of September 30, 2014 and December 31, 2013:

	September 30, 2014						
	Neither Past Due nor Impaired	Past Due but Not Impaired				Past Due and Impaired	Total
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
Loans and receivables:							
Cash and cash equivalents	\$790,197	\$–	\$–	\$–	\$–	\$–	\$790,197
Trade receivables	269,384	5,622	59,971	–	–	2,021	336,998
Due from related parties	2,386	–	–	–	–	–	2,386
Other receivables	13,420	189	388	–	–	–	13,997
Long-term receivables	925	–	–	–	–	1,749	2,674
Special deposits and funds	5,458	–	–	–	–	–	5,458
Other current assets	312	–	–	–	–	–	312
AFS financial assets:							
Debt securities	5,734	–	–	–	–	–	5,734
Equity securities	292	–	–	–	–	–	292
Proprietary club membership shares	1,014	–	–	–	–	–	1,014
Financial assets at FVPL - Designated as at FVPL	11,318	–	–	–	–	–	11,318

September 30, 2014							
	Neither Past Due nor Impaired	Past Due but Not Impaired			Over 1 Year up to 3 Years	Over 3 Years	Past Due and Impaired
		Less than 30 Days	31 Days to 1 Year				
Financial assets accounted for as cash							
flow hedge -							
Derivative assets	5,952	—	—	—	—	—	5,952
Total	\$1,106,392	\$5,811	\$60,359	\$—	\$—	\$3,770	\$1,176,332

December 31, 2013 (Audited)							
	Neither Past Due nor Impaired	Past Due but Not Impaired			Over 1 Year up to 3 Years	Over 3 Years	Past Due and Impaired
		Less than 30 Days	31 Days to 1 Year				
Loans and receivables:							
Cash and cash equivalents	\$869,578	\$—	\$—	\$—	\$—	\$—	\$869,578
Trade receivables	318,985	384	1,708	—	—	2,053	323,130
Due from related parties	2,840	—	—	—	—	—	2,840
Other receivables	10,703	—	226	1	—	—	10,930
Long-term receivables	376	—	—	—	—	1,628	2,004
Special deposits and funds	4,009	—	—	—	—	—	4,009
Other current assets	218	—	—	—	—	—	218
AFS financial assets:							
Debt securities	7,700	—	—	—	—	—	7,700
Equity securities	7,086	—	—	—	—	—	7,086
Proprietary club membership shares	744	—	—	—	—	—	744
Financial assets at FVPL -							
Derivative assets	170	—	—	—	—	—	170
Financial assets accounted for as cash							
flow hedge -							
Derivative assets	4,317	—	—	—	—	—	4,317
Total	\$1,226,726	\$384	\$1,934	\$1	\$—	\$3,681	\$1,232,726

Credit Quality of Financial Assets

The evaluation of the credit quality of First Gen Group's financial assets considers the payment history of the counterparties.

Financial assets are classified as 'high grade' if the counterparties are not expected to default in settling their obligations, thus, credit risk exposure is minimal. These counterparties normally include banks, related parties and customers who pay on or before due date. Financial assets are classified as 'standard grade' if the counterparties settle their obligations to First Gen Group with tolerable delays. 'Low grade' accounts are accounts, which have probability of impairment based on historical trend. These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms.

As of September 30, 2014 and December 31, 2013, 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.

Concentration of Credit Risk

The Parent Company, through its operating subsidiaries FGP and FGPC, earns substantially all of its revenue from Meralco. Meralco is committed to pay for the capacity and energy generated by the San Lorenzo and Santa Rita power plants under the existing long-term PPAs which are due to expire in September 2027 and August 2025, respectively. While the PPAs provide for the mechanisms by which certain costs and obligations including fuel costs, among others, are pass-through to Meralco or are otherwise recoverable from Meralco, it is the intention of the Parent Company, FGP and FGPC to ensure that the pass-through mechanisms, as provided for in their respective PPAs, are followed.

EDC's geothermal and power generation businesses trade with NPC as its major customer. Any failure on the part of NPC to pay its obligations to EDC would significantly affect EDC's business operations.

First Gen Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of the receivables from Meralco, in the case of FGP and FGPC, and the receivables from NPC, in the case of EDC.

The table below shows the risk exposure in respect to credit concentration of First Gen Group as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013 (Audited)
Trade receivables from Meralco	\$156,841	\$247,026
Trade receivables from NPC	77,291	41,813
Total credit concentration risk	\$234,132	\$288,839
Total receivables	\$351,360	\$334,847
Credit concentration percentage	66.6%	86.3%

Liquidity Risk

First Gen Group's exposure to liquidity risk refers to the lack of funding needed to finance its growth and capital expenditures, service its maturing loan obligations in a timely fashion, and meet its working capital requirements. To manage this exposure, First Gen Group maintains its internally generated funds and prudently manages the proceeds obtained from fund raising in the debt and equity markets. On a regular basis, First Gen Group's Treasury department monitors the available cash balances by preparing cash position reports. First Gen Group maintains a level of cash and cash equivalents deemed sufficient to finance the operations.

In addition, First Gen Group has short-term deposits and available credit lines with certain banking institutions. FGP and FGPC, in particular, each maintain a Debt Service Reserve Account to sustain the debt service requirements for the next payment period. As part of its liquidity risk management, First Gen Group regularly evaluates its projected and actual cash flows. It also continuously assesses the financial market conditions for opportunities to pursue fund raising activities.

As of September 30, 2014 and December 31, 2013, 22.2% and 14.9%, respectively, of First Gen Group's debt will mature in less than a year based on the carrying value of borrowings reflected in the unaudited interim condensed consolidated financial statements.

The tables below summarize the maturity profile of First Gen Group's financial assets used for liquidity management and financial liabilities as of September 30, 2014 and December 31, 2013 based on the contractual undiscounted payments:

	September 30, 2014					
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year up to 5 Years	Over 5 Years	Total
Financial Assets:						
Cash and cash equivalents	\$790,221	\$-	\$-	\$-	\$-	\$790,221
Trade receivables	-	275,006	59,971	-	2,021	336,998
Total loans and receivables	790,221	275,006	59,971	-	2,021	1,127,219
Derivative contract receipts	-	113	117	5,680	1,577	7,487
Derivative contract payments	-	(679)	(659)	(4,322)	(748)	(6,408)
Total financial assets accounted for as cash flow hedge	-	(566)	(542)	1,358	829	1,079
AFS financial assets:						
Debt securities	5,734	-	-	-	-	5,734
Total financial assets	\$795,955	\$274,440	\$59,429	\$1,358	\$2,850	\$1,134,032
Financial liabilities:						
Accounts payable and accrued expenses*	\$48,635	\$209,568	\$-	\$-	\$-	\$258,203
Due to related parties	145	-	-	-	-	145

	September 30, 2014					
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year up to 5 Years	Over 5 Years	Total
Long-term debts	–	217,553	363,289	1,356,573	1,604,220	3,541,635
Total liabilities carried at amortized cost	48,780	427,121	363,289	1,356,573	1,604,220	3,799,983
Derivative contract receipts	–	(379)	(384)	(15,335)	(4,550)	(20,648)
Derivative contract payments	–	7,030	6,597	37,583	6,673	57,883
Total financial liability accounted for as cash flow hedges	–	6,651	6,213	22,248	2,123	37,235
Total financial liabilities	\$48,780	\$433,772	\$369,502	\$1,378,821	\$1,606,343	\$3,837,218

*Excluding output VAT, local and other taxes and payables to government agencies.

	December 31, 2013 (Audited)					
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year up to 5 Years	Over 5 Years	Total
Financial assets:						
Cash and cash equivalents	\$870,253	\$–	\$–	\$–	\$–	\$870,253
Trade receivables	–	321,077	–	–	2,053	323,130
Total loans and receivables	870,253	321,077	–	–	2,053	1,193,383
Derivative contract receipts	–	–	301	6,695	3,461	10,457
Derivative contract payments	–	–	(1,369)	(4,556)	(1,173)	(7,098)
Total financial assets accounted for as cash flow hedge	–	–	(1,068)	2,139	2,288	3,359
AFS financial assets:						
Debt securities	7,700	–	–	–	–	7,700
Total financial assets	\$877,953	\$321,077	(\$1,068)	\$2,139	\$4,341	\$1,204,442
Financial liabilities:						
Accounts payable and accrued expenses*	\$58,579	\$198,099	\$–	\$–	\$–	\$256,678
Dividends payable	–	20,202	–	–	–	20,202
Due to related parties	258	–	–	–	–	258
Loans payable	–	53,829	–	–	–	53,829
Long-term debts	–	5,751	236,325	1,538,456	1,675,048	3,455,580
Total liabilities carried at amortized cost	58,837	277,881	236,325	1,538,456	1,675,048	3,786,547
Derivative contract receipts	–	–	(996)	(17,723)	(9,432)	(28,151)
Derivative contract payments	–	–	14,436	40,763	10,090	65,289
Total financial liabilities accounted for as cash flow hedges	–	–	13,440	23,040	658	37,138
Total financial liabilities	\$58,837	\$277,881	\$249,765	\$1,561,496	\$1,675,706	\$3,823,685

*Excluding output VAT, local and other taxes and payables to government agencies.

Capital Management

The primary objective of First Gen Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business, comply with its financial loan covenants and maximize shareholder value.

First Gen Group manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust the capital structure, First Gen Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended September 30, 2014 and the year ended December 31, 2013.

First Gen Group monitors capital using a debt ratio, which is total debt (net of debt issue costs) divided by total debt plus total equity. The amounts considered as total debt are mostly interest-bearing debt and First Gen Group's practice is to keep the debt ratio lower than 75:25.

	September 30, 2014	December 31, 2013 (Audited)
Long-term debts (current and non-current portions)	\$2,747,335	\$2,616,617
Loans payable	–	53,829
Total debt	\$2,747,335	\$2,670,446
Equity attributable to the equity holders of the Parent		
Company	\$1,506,117	\$1,350,015
Non-controlling interests	424,780	379,852
Total equity	\$1,930,897	\$1,729,867
Total debt and equity	\$4,678,232	\$4,400,313
Debt ratio	59:41	61:39

First Gen Group's subsidiaries are obligated to perform certain covenants with respect to maintaining specified debt-to-equity and minimum debt-service-coverage ratios, as set forth in their respective agreements with the creditors. As of September 30, 2014 and December 31, 2013, First Gen Group is in compliance with those covenants.

19. Financial Instruments

Set out below is a comparison by category of the carrying values and fair values of First Gen Group's financial instruments as at September 30, 2014 and December 31, 2013 that are carried in the unaudited interim condensed consolidated financial statements:

	September 30, 2014		December 31, 2013 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Financial assets accounted for as cash flow				
hedges -				
Derivative assets	\$5,952	\$5,952	\$4,317	\$4,317
Financial assets at FVPL -				
Designated as at FVPL	11,318	11,318	–	–
Derivative assets	–	–	170	170
Total financial assets at FVPL	11,318	11,318	170	170
Loans and receivables:				
Cash and cash equivalents	790,197	790,197	870,253	870,253
Receivables:				
Trade	336,998	334,977	323,130	321,077
Due from related parties	2,386	2,386	2,840	2,840
Others	13,997	13,997	10,930	10,930
Long-term receivables	2,674	596	2,004	1,907
Special deposits and funds	5,458	5,458	4,009	4,009
Other current assets	312	312	218	218
Total loans and receivables	1,152,022	1,147,923	1,213,384	1,211,234
AFS financial assets -				
Debt securities	5,734	5,734	7,700	7,700
Equity securities	292	292	7,086	7,086
Proprietary club membership shares	1,014	1,014	744	744
Total AFS financial assets	7,040	7,040	15,530	15,530
	\$1,176,332	\$1,172,233	\$1,233,401	\$1,231,251
Financial Liabilities				
Financial liabilities carried at amortized cost:				
Accounts payable and accrued expenses*	\$303,086	\$303,086	\$294,822	\$294,822
Due to related parties	145	145	258	258
Loans payable	–	–	53,829	53,829

	September 30, 2014		December 31, 2013 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Dividends payable	–	–	20,202	20,202
Long-term debts	2,747,335	3,032,318	2,616,617	2,704,338
Total financial liabilities at amortized cost	3,050,566	3,335,549	2,985,728	3,073,449
Financial liability accounted for as cash flow hedges -				
Derivative liabilities	29,067	29,067	34,591	34,591
	\$3,079,633	\$3,364,616	\$3,020,319	\$3,108,040

* Excluding output VAT, local and other taxes and payables to government agencies.

Fair Value and Categories of Financial Instruments

The fair values of cash and cash equivalents, receivables, other current assets, accounts payable and accrued expenses, due to related parties, dividends payable and loans payable approximate the carrying values at financial reporting date, due to the short-term maturities of the transactions.

Long-term Receivables

The fair value of long-term receivables was computed by discounting the expected cash flow using the applicable rates of 2.98% and 2.52% as of September 30, 2014 and December 31, 2013, respectively.

AFS financial assets

Fair values of quoted debt and equity securities are based on quoted market prices. For equity instruments 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.

FGP and FGPC long-term debts

The fair values of long-term debts were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted U.S. dollar interest rates ranging from 0.2373% to 2.3868% and 0.2543% to 2.9280% as of September 30, 2014 and December 31, 2013, respectively.

Parent Company & FNPC long-term debts

The fair values of the Parent Company U.S. dollar-denominated long-term debts were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted U.S. dollar interest rates on September 30, 2014 and December 31, 2013 ranging from 0.029% to 2.649% and 0.066% to 3.291%, respectively.

Long-term debts of Red Vulcan, EDC and FG Hydro

The fair values for EDC's and FG Hydro's long-term debts are estimated using the discounted cash flow methodology with the applicable rates ranging from 1.76% to 6.71% on September 30, 2014 and 1.76% to 7.40% on December 31, 2013. The fair value of Red Vulcan's Staple Financing was computed by discounting the instrument's expected future cash flows using the prevailing credit-adjusted PDST-F interest rates ranging from 1.91% to 3.51% on September 30, 2014 and 0.42% to 7.40% on December 31, 2013.

Fair Value Hierarchy of Financial Assets and Liabilities

The table below summarizes the fair value hierarchy of First Gen Group's financial assets and liabilities that are recorded at fair value. The hierarchy of these assets and liabilities are based on the inputs used to derive the fair value of such financial assets and liabilities and are categorized as follows:

- a) Level 1 category includes financial assets and liabilities whose fair value is based on quoted market price in active markets for identical assets and liabilities;
- b) Level 2 category includes financial assets and liabilities whose fair value uses 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); and
- c) Level 3 category includes those financial assets and liabilities whose fair value is derived using inputs that are not based on observable market data.

	September 30, 2014			
	Fair value	Level 1	Level 2	Level 3
Loans and receivables:				
Long-term receivables	\$2,674	\$—	\$—	\$2,674
AFS financial assets:				
Debt securities	5,734	5,734	—	—
Equity securities	292	292	—	—
Financial assets accounted for as cash flow hedges - Derivative assets	5,952	—	5,952	—
Financial assets at FVPL - Designated as at FVPL	11,318	—	11,318	—
Financial liabilities accounted for as cash flow hedges - Derivative liabilities	29,067	—	29,067	—
December 31, 2013 (Audited)				
	Fair value	Level 1	Level 2	Level 3
Loans and receivables:				
Long-term receivables	\$2,004	\$—	\$—	\$2,004
AFS financial assets:				
Debt securities	7,700	7,700	—	—
Equity securities	7,086	7,086	—	—
Financial assets accounted for as cash flow hedges - Derivative assets	4,317	—	4,317	—
Financial assets at FVPL - Derivative assets	170	—	170	—
Financial liabilities accounted for as cash flow hedges - Derivative liabilities	34,591	—	34,591	—

As of September 30, 2014 and December 31, 2013, there were no transfers between Level 1 and Level 2 fair value measurements and there were no transfers into and out of Level 3 fair value measurements.

Derivative Financial Instruments

First Gen Group enters into derivative transactions such as interest rate swaps to hedge its interest rate risks arising from its floating rate borrowings, cross currency swap and foreign currency forwards to hedge foreign exchange risk arising from its loans and payables. These derivatives (including embedded derivatives) are accounted for either as Derivatives not designated as accounting hedges or Derivatives designated as accounting hedges.

The table below shows the fair value of First Gen Group's outstanding derivative financial instruments, reported as assets or liabilities, together with their notional amounts as of September 30, 2014 and December 31, 2013 (amounts in millions). The notional amount is the basis upon which changes in the value of derivatives are measured.

	September 30, 2014			December 31, 2013 (Audited)		
	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount
Derivatives Designated as Accounting Hedges						
Freestanding derivatives -						
Interest rate swaps	\$2.15	\$29.07	\$415.48	\$3.11	\$34.50	\$441.03
Cross currency swaps	3.80	–	\$65.00	1.21	0.09	\$65.00
	5.95	29.07		4.32	34.59	
Derivatives not Designated as Accounting Hedges						
Freestanding derivatives -						
Foreign currency forwards	–	–	–	0.17	–	\$105.60
Total derivatives	\$5.95	\$29.07		\$4.49	\$34.59	

	September 30, 2014			December 31, 2013 (Audited)		
	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount
Presented as:						
Current	\$0.51	\$–		\$0.32	\$0.01	
Noncurrent	5.44	29.07		4.17	34.58	
Total derivatives	\$5.95	\$29.07		\$4.49	\$34.59	

Derivatives not Designated as Accounting Hedges

First Gen Group's derivatives not designated as accounting hedges include freestanding derivatives used to economically hedge certain exposures but were not designated by management as accounting hedges. Such derivatives are classified as at FVPL with changes in fair value directly taken to the unaudited interim consolidated statements of income.

Foreign Currency Forward Contracts

These are contractual agreements to buy or sell a foreign currency at an agreed rate on a future date.

In 2013, EDC entered into a total of 45 currency forward contracts with various counterparty banks. These contracts include one deliverable and 44 non-deliverable forward contracts. The deliverable buy JP¥ - sell US\$ forward contract has notional amount and forward rate of US\$3.0 million and JP¥91.0 million, respectively. As for the non-deliverable forward contracts, EDC entered into sell US\$ - buy PH₱ transactions with onshore banks and simultaneously entered into buy US\$ - sell PH₱ transactions with offshore banks as an offsetting position. The aggregate notional amount of these sell PH₱ - buy US\$ forward contracts was US\$130.0 million while the average forward rate was ₱43.61.

For the nine months ended September 30, 2014 and 2013, EDC recognized \$0.3 million gain and nil, respectively, from fair value changes of these foreign currency forwards contracts. These amounts are recorded under "Mark-to-market gain (loss) on derivatives - net" in the unaudited interim consolidated statements of income.

EDC did not enter into any foreign currency forward transaction in 2014.

Foreign Currency Swap Contracts

A foreign currency swap is an agreement to exchange amounts in different currencies based on the spot rate at trade date and to re-exchange the same currencies at a future date based on an agreed rate.

As of December 31, 2013, EDC has entered into a total of 22 foreign currency swap contracts with term as follows:

Position	December 31, 2013 (Audited)	
	Aggregate notional amount (in millions)	Weighted average forward rate
Sell US\$ - buy PHP	\$105.6	₱44.00

For the nine months ended September 30, 2014 and 2013, EDC recognized nil and \$0.1 million loss, respectively, from the fair value changes of these foreign currency swap contracts. This is recorded under “Mark-to-market gain (loss) on derivatives - net” in the unaudited interim consolidated statements of income.

EDC did not enter into any foreign currency swap transaction in 2014.

Derivatives Designated as Accounting Hedges

First Gen Group has interest rate swaps accounted for as cash flow hedges for its floating rate loans and cross-currency swaps and foreign currency forwards accounted for as cash flow hedges of its Philippine peso and U.S. dollar denominated borrowings and Euro denominated payables, respectively. Under a cash flow hedge, the effective portion of changes in fair value of the hedging instrument is recognized as cumulative translation adjustments in other comprehensive income (loss) until the hedged item affects earnings.

Interest Rate Swaps - FGPC

On November 14, 2008, FGPC entered into eight interest rate swap agreements with the following hedge providers namely: Société Générale (Singapore Branch), Bayerische Hypo-und Vereinsbank AG (Hong Kong Branch), Calyon and Standard Chartered Bank. On the same date, FGPC designated the interest rate swaps as hedges of the cashflow variability in the Covered and Uncovered Facilities, attributable to the movements in the six-month LIBOR (see Note 12).

Under the four interest rate swap agreements that hedge 100% of the Covered Facility, FGPC pays a fixed rate of 4.4025% and receives a 6-month U.S. LIBOR on the aggregate amortizing notional amount of \$312.0 million, simultaneous with the interest payments every May and November on the hedged loan. The notional amounts of the interest rate swaps are amortizing based on the repayment schedule of the hedged loan. The interest rate swap agreements have a term of 12 ½ years and will mature on May 10, 2021 (coinciding with the maturity of the hedged loan).

Under the four interest rate swap agreements that hedge 75% of the Uncovered Facility, FGPC pays a fixed rate of 4.0625% and receives a 6-month U.S. LIBOR on the aggregate amortizing notional amount of \$141.0 million, simultaneous with the interest payments every May and November on the hedged loan. The notional amounts of the interest rate swaps are amortizing based on the repayment schedule of the hedged loan. The interest rate swaps have a term of 8 ½ years and will mature on May 10, 2017 (coinciding with the maturity of the hedged loan).

As of September 30, 2014 and December 31, 2013, the aggregate negative fair values of the interest rate swaps that were deferred to “Cumulative translation adjustments” account in the unaudited interim consolidated statements of financial position amounted to \$20.3 million (net of related deferred tax effect of \$8.7 million) and \$24.1 million (net of related deferred tax effect of \$10.1 million), respectively.

Interest Rate Swap - FGP

In April 2013, FGP entered into two interest rate swap agreements with ING Bank and Standard Chartered Bank to hedge its floating rate exposure on \$80.0 million of its \$420.0 million term loan facility (see Note 12). Under the interest rate swap agreements, FGP pays fixed rate of 1.425% and receives floating rate of U.S. LIBOR, on a semi-annual basis, simultaneous with the interest payments every June and December on the hedged loan.

In May 2013, FGP entered into another interest rate swap agreement with RCBC to hedge its floating rate exposure on another \$20.0 million of the \$420.0 million term loan facility. Under the interest rate swap agreement, FGP pays fixed rate of 1.28% and receives floating rate of U.S. LIBOR, on a semi-annual basis, simultaneous with the interest payment every June and December on the hedged loan. The notional amounts of interest rate swaps are amortizing based on the repayment schedule of hedged loan. The interest rate swaps were designated as cash flow hedges and will mature on June 10, 2020.

As of September 30, 2014 and December 31, 2013, the positive fair values of the interest rate swap that were deferred to “Cumulative translation adjustments” account in the unaudited interim consolidated statements of financial position amounted \$1.5 million (net of related deferred income tax effect of \$0.6 million) and \$2.2 million (net of related deferred income tax effect of \$0.9 million), respectively.

There was no ineffective portion recognized in the unaudited interim consolidated statements of income for the periods ended September 30, 2014 and 2013.

The outstanding aggregate notional amount and the related cumulative mark-to-market gains and losses of the interest rate swaps designated as cash flow hedges as of September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014	December 31, 2013 (Audited)
Notional amount	\$415,478	\$441,027
Cumulative mark-to-market losses	(29,067)	(34,496)
Cumulative mark-to-market gains	2,147	3,110

The net movements in the fair value of interest rate swaps of FGPC and FGP are as follows:

	September 30, 2014	December 31, 2013 (Audited)
Fair value at beginning of period	(\$31,386)	(\$57,418)
Fair value changes taken into equity during the period	(6,316)	11,211
Fair value changes realized during the period	10,782	14,821
Fair value at end of period	(26,920)	(31,386)
Deferred tax effect on cash flow hedges	8,076	9,416
Fair value deferred into equity	(\$18,844)	(\$21,970)

Fair value changes during the period, net of deferred income tax, are recorded in the unaudited interim consolidated statements of comprehensive income and under the “Cumulative translation adjustments” account in the unaudited interim consolidated statements of financial position. The fair value change realized during the period was taken into “Interest expense and financing

charges” account in the unaudited interim consolidated statements of income. This pertains to the net difference between the fixed interest paid/accrued and the floating interest received/accrued on the interest rate swap agreements as at financial reporting date.

For the nine months ended September 30, 2014 and 2013, fair value changes taken to unaudited interim consolidated statements of income amounted to \$10.8 million.

Cross Currency Swaps - EDC

In 2012 and 2014, EDC entered into 6 and 6 non-deliverable cross-currency swap (NDCCS) agreements with an aggregate notional amount of \$65.0 million and \$45.0 million, respectively, to partially hedge the foreign currency and interest rate risks on its Refinanced Syndicated Term Loan that is benchmarked against US LIBOR and with flexible interest reset feature that allows EDC to select what interest reset frequency to apply (i.e., monthly, quarterly, or semi-annually). As it is EDC’s intention to reprice the interest rate on the hedged loan quarterly, EDC utilizes NDCCS with quarterly interest payments and receipts.

Under the NDCCS agreements, EDC receives floating US\$ interest based on 3-month US LIBOR plus 175 basis points and pays fixed peso interest. On specified dates, EDC also receives specified U.S. dollar amounts in exchange for specified peso amounts based on the agreed swap rates. These U.S. dollar receipts correspond with the expected interest and fixed principal amounts due on the hedged loan. Effectively, the 12 NDCCS converted 60.0% of hedged loan into a fixed rate peso loan.

Pertinent details of the NDCCS are as follows:

Notional amount (in million)	Trade Date	Effective Date	Maturity Date	Swap rate	Fixed rate	Variable rate
\$15.00	03/26/12	03/27/12	06/17/17	43.05	4.87%	3-month LIBOR + 175 bps
\$10.00	04/18/12	06/27/12	06/17/17	42.60	4.92%	3-month LIBOR + 175 bps
\$10.00	05/03/12	06/27/12	06/17/17	42.10	4.76%	3-month LIBOR + 175 bps
\$10.00	06/15/12	06/27/12	06/17/17	42.10	4.73%	3-month LIBOR + 175 bps
\$10.00	07/17/12	09/27/12	06/17/17	41.25	4.58%	3-month LIBOR + 175 bps
\$10.00	10/29/12	12/27/12	06/17/17	41.19	3.44%	3-month LIBOR + 175 bps
\$7.50	05/14/14	06/27/14	06/17/17	43.60	3.80%	3-month LIBOR + 175 bps
\$7.50	05/14/14	06/27/14	06/17/17	43.57	3.80%	3-month LIBOR + 175 bps
\$7.50	06/09/14	06/27/14	06/17/17	43.55	3.60%	3-month LIBOR + 175 bps
\$7.50	06/09/14	06/27/14	06/17/17	43.55	3.60%	3-month LIBOR + 175 bps
\$7.50	07/10/14	9/27/14	06/17/17	43.29	3.50%	3-month LIBOR + 175 bps
\$7.50	07/09/14	9/27/14	06/17/17	43.37	3.68%	3-month LIBOR + 175 bps

The maturity date of the 12 NDCCS coincides with the maturity date of the hedged loan.

As of September 30, 2014 and December 31, 2013, the outstanding aggregate notional amount of EDC’s NDCCS amounted to \$100.0 million and \$65.0 million, respectively. The aggregate fair value changes on these NDCCS amounting to \$0.4 million and \$1.3 million gain, respectively, were recognized by EDC under “Cumulative translation adjustments” account in the unaudited interim consolidated statements of financial position.

Hedge Effectiveness Results

Since the critical terms of the hedged loan and the NDCCS match, except for one to two days timing difference on the interest reset dates, the hedges were assessed to be highly effective. As such, the aggregate fair value changes on these NDCCS amounting to \$61.5 million loss as of September 30, 2014 and \$5.8 million gain as of December 31, 2013 were recognized under

“Cumulative translation adjustments” account in the unaudited interim consolidated statements of financial position. No ineffectiveness was recognized in the unaudited interim consolidated statements of income for the nine months period ended September 30, 2014 and the year ended December 31, 2013.

As of September 30, 2014 and December 31, 2013, the net movements of changes made to “Cumulative translation adjustments” account for EDC’s cash flow hedges are as follows:

	September 30, 2014	December 31, 2013 (Audited)
Balance at beginning of period	(\$1,065)	(\$3,403)
Fair value change taken into equity during the period	(61,548)	5,797
Fair value change realized during the period	64,290	1,035
Foreign exchange loss realized taken to unaudited interim consolidated statements of income	(1,776)	(4,494)
	(99)	(1,065)
Deferred income tax effect on cash flow hedges	(330)	(234)
Fair value deferred into equity	(\$429)	(\$1,299)

Reconciliation of Net Fair Value Changes on Derivatives

The table below summarizes the mark-to-market gain (loss) on First Gen Group’s derivative instruments recognized under the “Mark-to-market gain (loss) on derivatives” account in the unaudited interim consolidated statements of income:

	For the Nine Months Ended September 30	
	2014	2013
Freestanding derivatives		
Forward contracts	\$350	(\$59)

20. Other Matters

Event that affected Santa Rita’s Unit 40

Upon completion of the scheduled maintenance outage of Unit 40, which is one of four units of the 1000-MW Santa Rita gas-fired power plant, in February 2014, the main generator transformer protection activated during the start-up process of the Unit. The results of internal inspections as well as testing conducted by the original equipment manufacturer (OEM) have confirmed damage to the internal components of the Unit 40 main transformer. Repair measures as well as a replacement option for the said transformer are being evaluated, and either measure can be completed by the 4th quarter of 2014.

As an additional option, First Gas has a spare transformer already in production. Should it be required for Unit 40, this spare transformer can be installed and commissioned by November 2014. FGPC is in discussions with the supplier to expedite the manufacturing and delivery of this spare transformer.

On July 4, 2014, FGPC, through SPOI, has brought in a new 318MVA transformer to replace the damaged transformer of Santa Rita’s Unit 40. Following the successful installation and commissioning of the new replacement transformer, Unit 40 has returned to operation.

Signing of the Supply and Onshore Contracts with Istroenergo Group (IEG)

On August 1, 2014, PMPC, a wholly-owned subsidiary of the Parent Company, signed an Engineering, Procurement and Supply (Offshore) Contract with IEG and an Onshore Engineering, Procurement and Construction Contract with Energy Project Completion Ltd., a Philippine Branch Office of IEG, for PMPC's 97 MW Avion Open Cycle Natural Gas-Fired Power Plant (Avion Plant). IEG is an engineering contractor from Slovakia experienced in the construction of aeroderivative gas turbine power plants. The Avion Plant will use General Electric's LM6000 PC Sprint aeroderivative gas turbines and have the capability to burn natural gas or liquid fuel. It is being constructed adjacent to the Parent Company's 1000 MW Santa Rita and 500 MW San Lorenzo natural gas-fired power plants in Batangas City.

Planned outage for Bacman Unit 3

On July 6, 2014, EDC disclosed to the PSE the planned outage for its 20 MW Bacman Unit 3 starting July 7, 2014, for approximately one month, to replace the existing turbine generator unit with a brand new one and other opportunity maintenance works for the balance of plant.

Preparations for the planned outage commenced as early as January 29, 2013, after EDC placed an order for a replacement generator assembly following the advice of its technical team.

Effect of Typhoon Glenda

On July 21, 2014, the Parent Company has disclosed that all units of the 1000MW Santa Rita and 500MW San Lorenzo natural gas-fired power plants have returned to operations after being on shutdown mode since July 16, 2014 due to Typhoon Glenda that severely battered Batangas City and caused flooding at the plant site.

On July 17, 2014, EDC disclosed to the PSE that the cooling towers of Bacman's 55 MW Units 1 and 2 have sustained damage due to Typhoon Glenda. The extent of the damage will require some repair before their return to service, however, strategic spares were already ordered.

Explanatory comments about the seasonality or cyclicity of interim operations

Except for FG Hydro's and FG Bukidnon's sale of electricity coming from hydroelectric power/operations, seasonality or cyclicity of interim operations is not applicable to First Gen Group's type of business because of the nature of its contracts with Meralco and NPC, which includes guaranteed volume under the applicable take-or-pay, minimum energy off-take or contracted energy provisions. GCGI's sales to cooperatives and industries are also not subject to seasonality or cyclicity.

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

There are no assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the current period.

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.

The key assumptions concerning the future and other key sources of estimation used in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of First Gen Group's annual consolidated financial statements as of and for the year ended December 31, 2013.

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.

- Incorporation of new subsidiaries
 - In January 2014, FGEN Northern Power, FGEN Power Ventures, and FGEN Casecanan were incorporated and registered with the Philippine SEC as wholly-owned subsidiaries of the Parent Company.
 - On August 6, 2014, the Philippine SEC approved the issuance of Certificate of Incorporation to FGEN Power Holdings, Inc., First Gen Eco Solutions Holdings, Inc. and FGEN Prime Holdings, Inc. Each company has an authorized capital stock of one hundred thousand pesos divided into one hundred thousand shares with a par value of ₱1.00 per share.
 - On September 25, 2014, the Philippine SEC approved the issuance of Certificate of Incorporation to FGEN Liquefied Natural Gas Holdings, Inc. The company has an authorized capital stock of one hundred thousand pesos divided into one hundred thousand shares with a par value of ₱1.00 per share.

Other than these new subsidiaries, there are no material changes in the composition of the issuer during the interim period.

- On May 20, 2014, the Parent Company purchased 31.0 million Series “B” voting preferred shares of Prime Terracota owned by LIRF. This transaction has increased the Parent Company’s direct voting interest in Prime Terracota from 45.0% to 73.4% and its effective voting interest in EDC from 33.6% to 50.7% through Prime Terracota.
- On June 17, 2014, the Philippine SEC approved the Plan and Articles of Merger between FGRI and Bluespark that was executed on April 29, 2014. As a result of the merger, FGRI becomes the surviving corporation and is now 99.1% effectively owned by Blue Vulcan while the remaining 0.9% is still owned by First Gen. FGRI now effectively owns 40.0% voting and economic interest in Santa Rita and San Lorenzo Plants. Prior to the merger, FGRI was a wholly-owned subsidiary of First Gen.

Changes in contingent liabilities or contingent assets since the last annual reporting date

There are no material changes in the contingent liabilities or contingent assets since the last annual financial reporting date.

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.

21. Events After Financial Reporting Period

Parent Company

Declaration of Cash Dividends

On October 1, 2014, the BOD of the Parent Company approved the declaration of cash dividends on its issued and outstanding common stocks at the rate of ₱0.35 a share with record date of October 16, 2014 and payment date of October 30, 2014.

Incorporation of new subsidiaries

On October 24, 2014 and November 11, 2014, the Philippine SEC approved the issuance of Certificate of Incorporation to FGEN Reliable Energy Holdings, Inc. and FGEN Power Solutions, Inc., respectively. Each company has an authorized capital stock of one million pesos divided into one million shares with a par value of ₱1.00 per share.

EDC

Declaration of Cash Dividends

On October 3, 2014, the BOD of EDC approved the declaration of special cash dividends of ₱0.10 per share on common shares in favor of common shareholders of record as of October 20, 2014, payable on or before November 13, 2014.

\$315M Burgos Wind Project Financing

On October 17, 2014, EDC signed a \$315.0 million financing facility agreement with local and foreign banks for the construction of the 150-MW Burgos Wind Project (BWP) in Ilocos Norte. The facility which consists of US Dollar and Philippine Peso-denominated tranches will mature in 15 years. Portion of the proceeds received from the financing facility was used to settle the outstanding bridge loans availed in October 2014.

Feed-In Tariff (FIT) Eligibility of Burgos Wind Project

On November 5, 2014, EBWPC informed the Department of Energy (DOE) that its 150-MW BWP had achieved successful commissioning. Under the DOE's Guidelines for the Selection Process of Renewable Energy Projects under the FIT System and the Award of Certificate for FIT Eligibility, successful commissioning means that the renewable energy project "is now physically connected to the Grid" and "is delivering power to the transmission system."