SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended : **December 31, 2014**

2. SEC Identification Number : **A1998-18260** 3. BIR Tax Identification No. **202-464-633**

4. Exact name of issuer as specified in its charter **FIRST GEN CORPORATION**

5. **PHILIPPINES**
Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
Industry Classification Code:

7. **3rd Floor, Benpres Building, Exchange Road cor. Meralco Avenue, Pasig City** **1600**
Address of principal office Postal Code

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 SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	**Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of March 20, 2015)**
Common Stock	3,660,943,557
Bonds	None

11. Are any or all of these securities listed on a Stock Exchange.
Yes [**X**] No [ ]

If yes, state the name of such stock exchange and the classes 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. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that the registrant was required to file such reports);

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

13. Aggregate Market Value of Voting Stock held by Non-Affiliates: **₱27.89 billion***

* *As of close of trading on December 31, 2014.*

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EXHIBIT "A" MANAGEMENT REPORT

EXHIBIT "B" AUDITED CONSOLIDATED FINANCIAL STATEMENTS, AND AUDITED PARENT COMPANY FINANCIAL STATEMENTS STAMPED RECEIVED BY THE BIR

EXHIBIT "C" SRC RULE 68, AS AMENDED (2011) [SCHEDULES]

EXHIBIT "D" AUDIT COMMITTEE REPORT FOR THE YEAR 2014

EXHIBIT "E" ANNUAL CORPORATE GOVERNANCE REPORT FOR THE YEAR 2014

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

First Gen Corporation (First Gen or the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1998. First Gen and its subsidiaries (collectively referred to as First Gen Group) are involved in the power generation business. On February 10, 2006, the 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 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 Company likewise completed the Stock Rights Offering (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 July 25, 2011, the Company issued by way of private placement 100,000,000 Series "F" Perpetual Preferred Shares at a total issue price of ₱10 billion. The Series "F" Perpetual Preferred Shares are listed and traded on the PSE, and are cumulative, non-voting, non-participating, non-convertible and peso-denominated. Total proceeds from the issuance of Series "F" Perpetual Preferred shares amounted to ₱10.0 billion ($235.7 million), net of transaction costs amounting to ₱53.0 million ($1.2 million).

On May 28, 2012, the Company completed the Public Offering of the 100,000,000 Series "G" Perpetual 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).

On January 20, 2015, the Company authorized the issuance and sale of an aggregate of 297,029,800 common stocks to be taken from its unissued capital stock and treasury stock at an identical issue price of ₱25.25 per share (the "Offer Price"). The price represents a 2.9 % discount to the last traded price of ₱26.00 per share. The placement was conducted via an accelerated bookbuilding process. First Gen's parent company, First Philippine Holdings Corporation (FPH), which has a 66.2% stake in First Gen's issued and outstanding common stocks, agreed to subscribe to its pro-rata share in the transaction. The Company will issue to FPH 179,127,900 common stocks from treasury stock, as well as 17,623,100 common stocks from unissued capital stock, at the Offer Price. Following the subscription, FPH will maintain its 66.2% stake in the Company's issued and outstanding common stock.

As of December 31, 2014 and 2013, 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 an 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.

First Gen is the largest clean and renewable Independent Power Producer (IPP) in the Philippines, with installed capacity of 2,942 MW as of December 31, 2014. All of the Company's power generation plants are operational and are majority-owned and controlled by the Company through its subsidiaries. Since 2005, First Gen's consolidated financial statements has been presented in U.S. Dollars (US$) being First Gen Group's functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). First Gen's consolidated net income amounted to US$318.1 million for the year ended December 31, 2014, on revenues of US$1.9 billion. Net income attributable to equity holders of the Parent amounted to US$193.2 million.

Following is the Company's percentage of voting interest in its subsidiaries as of December 31, 2014 and 2013:

	Percentage of Voting Interest	
	2014	2013
First Gen Renewables, Inc. (FGRI) [16]	**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. [formerly First Gen Geothermal Power Corporation] (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[5, 16]	**100**	100
Prime Meridian Powergen Corporation (Prime Meridian)	**100**	100
Bluespark[5, 16]	–	100
Goldsilk[5, 16]	**100**	100
Dualcore[5, 16]	**100**	100
Onecore[5, 16]	**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, 16]	**100**	100
FGP[2, 16]	**100**	100
FNPC[3]	**100**	100
First Gas Power Corporation (FGPC)[4, 16]	**100**	100
First Gas Pipeline Corporation (FG Pipeline)[4, 16]	**100**	100
FGLand Corporation (FG Land)[4, 16]	**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)[11]	**100**	–
FGen Power Ventures, Inc. (FGEN Power Ventures)[11]	**100**	–
FGen Casecnan Hydro Power Corp. (FGEN Casecnan)[12]	**100**	–
FGen Power Holdings, Inc. (Power Holdings)[13]	**100**	–
FGen Prime Holdings, Inc. (Prime Holdings)[13]	**100**	–
FGen Eco Solutions Holdings, Inc. (FGESHI)[13]	**100**	–
FGen Liquefied Natural Gas Holdings, Inc. (Liquefied Holdings)[14]	**100**	–
FGen Reliable Energy Holdings, Inc. (FG Reliable Energy)[17]	**100**	–
FGen Power Solutions, Inc. (FG Power Solutions)[18]	**100**	–
FGen Vibrant Blue Sky Holdings, Inc. (FGVBSHI)[19]	**100**	–
FGen Aqua Power Holdings, Inc. (FG Aqua Power)[19]	**100**	–
Prime Terracota Holdings Corp. (Prime Terracota)[9, 10, 15]	**73**	45
First Gen Hydro Power Corporation (FG Hydro)[9, 10]	**40**	40

[1]Through FGRI
[2]Through Unified
[3]Through AlliedGen
[4]Through FGHC
[5]On May 30, 2012, the 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 Company now beneficially owns 100% of First Gas Group through its intermediate holding companies.
[6]Through FG Mindanao
[7]Through FMRC
[8]Through FNMHI
[9]As a result of the adoption of PFRS 10 effective January 1, 2013.
[10]As a result of the adoption of PFRS 10 effective January 1, 2013. As of December 31, 2014, direct voting interest by the Company in FG Hydro is 40% while its effective economic interest is 70.0% through Prime Terracota.
[11]On January 3, 2014, FGEN Northern Power and FGEN Power Ventures were incorporated and registered with the Philippine SEC.
[12]On January 16, 2014, FGEN Casecnan was incorporated and registered with the Philippine SEC.
[13]On August 6, 2014, Power Holdings, Prime Holdings, and FGESHI were incorporated and registered with the Philippine SEC.
[14]On September 25, 2014, Liquefied Holdings was incorporated and registered with the Philippine SEC.

[15]*On May 20, 2014, the 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 December 31, 2014, the Company'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.*
[16]*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 the Company. FGRI now effectively owns 40.0% voting and economic interest in FGHC and subsidiaries, and FGP. Prior to the merger, FGRI was a wholly-owned subsidiary of the Company.*
[17]*On October 24, 2014, FG Reliable Energy was incorporated and registered with the Philippine SEC.*
[18]*On November 11, 2014, FG Power Solutions was incorporated and registered with the Philippine SEC.*
[19]*On November 14, 2014, FGVBSHI and FG Aqua Power were incorporated and registered with the Philippine SEC.*

Below are descriptions of the different companies under First Gen:

- On May 30, 2012, First Gen, through its wholly-owned subsidiary Blue Vulcan Holdings Corporation (Blue Vulcan), successfully 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 (LSML)]. Bluespark's wholly-owned subsidiaries, Goldsilk Holdings Corp. (Goldsilk) [formerly Lisbon Star Philippines Holdings, Inc.], Dualcore Holdings Inc. [formerly BG Consolidated Holdings (Philippines), Inc.] and Onecore Holdings Inc. (BG Philippines Holdings, Inc.), owned 40.0% of the outstanding capital stock of FGHC, FGP, and First NatGas Power Corporation (collectively referred to as the "First Gas Group"). Following the acquisition of Bluespark, First Gen 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. Following the acquisition of the non-controlling stake, LSML was subsequently renamed Bluespark Management Limited, Inc.

- 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 in May 2012. 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.

    - FGPC is the project company of the Santa Rita Power Plant. The company was incorporated on November 24, 1994 to develop the 1,000 MW gas fired cycle power plant located in Santa Rita, Batangas City. The company started full commercial operations on August 17, 2000. FGPC generates electricity for Meralco under a 25-year Power Purchase Agreement (PPA). In order to fulfill its responsibility to operate and maintain the power plant, FGPC has an existing agreement with Siemens Power Operations, Inc. (SPOI), a 100% subsidiary of Siemens AG, to act as the Operator under an Operations & Maintenance Agreement. Net income and revenues from sale of electricity for the year ended December 31, 2014 amounted to US$78.9 million and US$779.8 million, respectively.

- Unified Holdings Corporation (UHC) was incorporated on March 30, 1999 as the holding company of First Gen's 60.0% equity share in FGP Corp. (FGP), the project company of the 500 MW San Lorenzo Power Plant. First Gen owns 100% of UHC.

    - FGP is the project company of the San Lorenzo Power Plant. The company was established on July 23, 1997 to develop a 500 MW gas-fired combined cycle power plant in Santa Rita, Batangas, adjacent to the 1000 MW Santa Rita Power Plant. FGP was owned 60.0% by UHC and 40.0% by BG Philippines Holdings, Inc. The company started full commercial operations on October 1, 2002. Most of the economic and structural features that made the Santa Rita project attractive were replicated in the San Lorenzo project to preserve the innovative risk-mitigating structure. All major project agreements were substantially similar to those used in the Santa Rita project. Also, the economic and commercial advantages of being located adjacent to the Santa Rita project were optimized. The project's strategic location allows it to share common facilities such as the tank farm and jetty facilities thus reducing the need to duplicate various operational facilities. Cost reductions associated with the operations and maintenance of power plant were also achieved through the pooling of operations and maintenance (O&M) personnel and other expenses. Net income and revenues from sale

of electricity for the year ended December 31, 2014 amounted to US$60.2 million and US$425.4 million, respectively.

- 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. FGRI is transforming itself from a mere supplier of products and systems to a service provider in the countryside. FGRI is presently engaged in discussions with electric cooperatives for the possible supply of energy in various provinces. 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 FGHC and subsidiaries, and FGP. Prior to the merger, FGRI was a wholly-owned subsidiary of First Gen.

    - FG Bukidnon Power Corporation (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 (FGBHPP). FG Bukidnon's net income and revenues from sale of electricity for the year ended December 31, 2014 amounted to ₱12.2 million and ₱44.7 million, respectively.

      Commissioned and constructed by National Power Corporation (NPC) in 1957, FGBHPP is located in Damilag, Manolo Fortich, Bukidnon in Mindanao (Southern Philippines), 36 kilometers southeast of Cagayan de Oro City. 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. (CEPALCO) via the distribution line of the National Grid Corporation of the Philippines (NGCP).

- Prime Terracota Holdings Corp. (Prime Terracota) was incorporated on October 17, 2007 as the holding company of Red Vulcan Holdings Corporation (Red Vulcan). Red Vulcan was incorporated on October 5, 2007 as the holding company for First Gen's then 60% voting equity stake in Energy Development Corporation (EDC). EDC is involved in geothermal steam production and power generation business, and drilling and consultancy services.

  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. EDC is the Philippines' largest producer of geothermal energy, operating 11 geothermal power plants in 5 geothermal service contract areas. EDC is principally involved in the production of geothermal steam for sale to subsidiaries, and the generation and sale of electricity through EDC-owned geothermal power plants to NPC and various offtakers. EDC's consolidated net income and revenues as of December 31, 2014 amounted to ₱11.8 billion and ₱30.9 billion, respectively, with net income attributable to equity holders of the parent company of ₱11.7 billion.

  On May 12, 2009, Prime Terracota issued Class "B" voting preferred shares at par value to the Lopez Inc. Retirement Fund (LIRF) and Quialex Realty Corporation (QRC). Prime Terracota is the effective 60.0% voting / 40.0% economic owner of EDC through its subsidiary Red Vulcan. Prior to its issuance of preferred shares to LIRF and QRC, Prime Terracota was a wholly-owned subsidiary of First Gen. With the issuance of the preferred shares, 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. During the said period, First Gen's investment in Prime Terracota was accounted for using the equity method in the consolidated financial statements of First Gen as it still retained influence over Prime Terracota through its 45.0% voting interest. However, with the adoption of PFRS 10 effective January 1, 2013, management was required 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 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 December 31, 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.

- First Gen Hydro Power Corporation (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 100 MW Pantabangan and the 12 MW Masiway Hydroelectric Power Plants (PMHEPP) that was conducted by the Power Sector Assets and Liabilities Management Corporation (PSALM). The 112 MW PMHEPP was transferred to FG Hydro on November 18, 2006, representing the first major generating assets of NPC to be successfully transferred to the private sector by PSALM. Subsequently, First Gen's board of directors approved the sale of 60% of FG Hydro to EDC. As a result of the divestment, First Gen's direct voting interest in FG Hydro was reduced to 40%. FG Hydro's net income and revenues from the sale of electricity for the year ended December 31, 2014 amounted to ₱812.1 million and ₱1.9 billion, respectively.

    - The 100 MW Pantabangan power plant commenced operations in 1977 and consists of two 50 MW generating units. The 12 MW Masiway power plant commenced operations in 1981 and consists of one 12 MW operating unit. Both facilities are located in Pantabangan, Nueva Ecija Province in Central Luzon, 180 kilometers north of Metro Manila. Following FG Hydro's completion of its rehabilitation and upgrade project in December 2010, plant capacity of the Pantabangan plant was increased by 20 MW. With this upgrade, the new plant capacity of PMHEPP is now 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.

Business of Issuer

1. **FIRST GEN CORPORATION**

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

(i) FGPC which operates the 1,000 MW Santa Rita natural gas-fired power plant;
(ii) FGP which operates the 500 MW San Lorenzo natural gas-fired power plant;
(iii) FG Bukidnon, via FGRI, which operates the 1.6 MW FG Bukidnon mini-hydroelectric power plant;
(iv) EDC, with an aggregate installed capacity of approximately 1,313.8 MW of geothermal and wind power; and,
(v) 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, and a 40.0% economic interest in FG Hydro. As of December 31, 2014, the Company also directly and indirectly owns 1.93 billion common shares in EDC, of which 937.69 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 10.29% direct economic interest in EDC.

The Philippine power industry is dominated by NPC, a government-owned and operated company. The generation sector can be broken down into the following main groups: (i) NPC-owned and operated generation facilities; (ii) NPC IPPs, which include plants operated by IPPs,

as well as IPP-owned and operated plants, each of which supplies electricity to NPC; and (iii) IPP-owned and operated plants that supply electricity to customers other than NPC.

2. **FIRST GAS POWER CORPORATION (Santa Rita Power Plant)**

Under a 25-year PPA executed by FGPC and Meralco (Santa Rita PPA), Meralco is contractually obligated to take or pay for, and the Santa Rita power plant is obligated to generate and deliver, a minimum energy quantity (MEQ) of net electrical output from the Santa Rita power plant.

The Santa Rita power plant's turbines have been designed to run on a wide variety of fuels including natural gas. In January 1998, FGPC entered into a 22-year Gas Sale and Purchase Agreement (GSPA) with the consortium of Shell Philippines Exploration B.V., Chevron Malampaya, LLC and PNOC Exploration Corporation (collectively referred to as Gas Sellers) for the purchase of natural gas from the Malampaya gas field. Under the terms of the GSPA, FGPC is obligated to take or pay 43.0 PJ of natural gas per year, which is consistent with the level of MEQ dispatch under the Santa Rita PPA. Although the Santa Rita power plant is intended to operate on natural gas, if delivery of natural gas is delayed or interrupted for any reason, the plant has the ability to run on liquid fuel for as long as necessary without any adverse impact to its operation or revenues.

3. **FGP CORP. (San Lorenzo Power Plant)**

FGP, operator of the 500 MW San Lorenzo combined-cycle gas turbine power generating plant, executed a PPA with Meralco whereby Meralco will purchase power generated by the San Lorenzo power plant for a period of 25 years or up to 2027.

FGP operates under the same business environment as other power generating companies in the country.

4. **FIRST GEN HYDRO POWER CORPORATION (Pantabangan-Masiway Power Plants)**

The commercial operations of FG Hydro commenced in November 2006 upon the transfer to it of PMHEPP's operations and maintenance. FG Hydro earns substantially all of its revenue from the Wholesale Electricity Spot Market (WESM) and various electric companies. WESM and the various electric companies are committed to pay for the energy generated by the PMHEPP facilities.

Under the current regulatory regime, the generation rate charged by FG Hydro to WESM is not regulated but determined in accordance with the WESM Price Determination Methodology (PDM) approved by the Energy Regulatory Commission (ERC) and are complete pass-through charges to WESM. Likewise, the generation rate charged by FG Hydro to various electric companies is not subject to regulation and are complete pass-through charges to various electric companies.

5. **ENERGY DEVELOPMENT CORPORATION (EDC)**

By virtue of Presidential Decree (P.D.) No. 1442, EDC entered into several Geothermal Service Contracts (GSCs) with the Philippine Government through the Department of Energy (DOE), under which EDC was granted the right to explore, develop, and utilize the country's geothermal resource subject to sharing of net proceeds with the Philippine Government. The net proceeds are what remains after deducting from the gross proceeds the allowable recoverable costs, which include development, production and operating costs. The allowable recoverable costs shall not exceed 90% of the gross proceeds. EDC pays 60% of the net proceeds as share of the Philippine Government and retains the 40%. The 60% government share is comprised of royalty fees and income taxes. The royalty fees are split between the DOE (60%) and the LGU (40%) where the project is located.

R.A. 9513, *"An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes,"* otherwise known as the *"Renewable Energy Act of 2008"* or the *"RE Law"*, mandates the conversion of existing service contracts under P.D. 1442

into Geothermal Renewable Energy Service Contracts (GRESCs) to avail of the incentives under the RE Law.

On September 10, 2009, EDC was granted the Provisional Certificate of Registration as an RE Developer for the following existing projects: (1) GSC No. 01- Tongonan, Leyte, (2) GSC No. 02 - Palinpinon, Negros Oriental, (3) GSC No. 03 - Bacon-Manito, Sorsogon/Albay, (4) GSC No. 04 - Mt. Apo, North Cotabato, and (5) GSC No. 06 - Northern Negros.

With the receipt of the certificates of provisional registration as geothermal RE Developer, the fiscal incentives of the RE Law were availed of by EDC retroactive from the effective date of the RE Law on January 30, 2009. The GSCs were fully converted to GRESCs upon signing by the parties on October 23, 2009; hence EDC is now the holder of 5 GRESCs and the corresponding DOE Certificate of Registration as an RE Developer for the following geothermal projects:

1) GRESC 2009-10-001 for Tongonan, Leyte;
2) GRESC 2009-10-002 for Palinpinon, Negros Oriental;
3) GRESC 2009-10-003 for Bacon-Manito, Sorsogon/Albay;
4) GRESC 2009-10-004 for Kidapawan, North Cotabato; and
5) GRESC 2009-10-005 for Northern Negros.

The DOE approved the application of EDC for the 20-year extension of the Tongonan, Palinpinon and Bacon-Manito GSCs. The extension is embodied in the 4th amendment to the GSCs dated October 30, 2003. The amendment extended the Tongonan GSC from May 15, 2011 to May 16, 2031, while the Palinpinon and Bacon-Manito GSCs were extended from October 16, 2011 to October 17, 2031.

The DOE conducted bidding on the geothermal energy resources located in Labo, Camarines Norte and the contract area was won by EDC. The certificate of registration as RE Developer for this contract area was granted by the DOE on February 19, 2010. On the same date, EDC's GSC in Mt. Labo in Camarines Norte and Sur was converted to GRESC 2010-02-020.

On March 24, 2010, the DOE issued to EDC a new GRESC of Mainit Geothermal Project under DOE Certificate of Registration No. GRESC 2010-03-021.

The RE Law also provides that the exclusive right to operate geothermal power plants shall be granted through a Renewable Energy Operating Contract with the Philippine Government through the DOE. Accordingly, on May 8, 2012, EDC, through its subsidiaries Green Core Geothermal Inc. (GCGI) and BacMan Geothermal Inc. (BGI) secured 3 Geothermal Operating Contracts (GOCs) covering the following power plant operations of Tongonan, Palinpinon, and Bacon-Manito Geothermal power plants.

EDC holds ten (10) Wind Energy Service Contracts (WESCs) with the DOE covering the 150 MW wind project in Burgos, Ilocos Norte, and the estimated 84 MW wind project in Pagudpud, Ilocos Norte. As of December 31, 2014, EDC Burgos Wind Power Corporation (EBWPC), a subsidiary of EDC, has successfully commissioned the 150 MW wind farm in Burgos. The WESC for the project was assigned by EDC to EBWPC in February 2011. On the other hand, the WESC for the Pagudpud project was assigned by EDC to its subsidiary, EDC Pagudpud Wind Power Corporation (EPWPC), in June 2012.

EDC likewise holds two (2) Solar Energy Service Contracts (SESC) with the DOE covering an estimated 4 MW solar project in Burgos, Ilocos Norte and in Bago City, Negros Occidental.

- Steam Sales Agreements and Geothermal Resource Sales Contracts (GRSCs) of EDC

  Prior to the acquisition of GCGI and BGI by EDC in 2009 and 2010, respectively, EDC had Steam Supply Agreements (SSAs) for the supply of the geothermal energy produced by its geothermal projects for the power plants then owned and operated by NPC. Under the SSA, NPC agrees to pay EDC a base price per kWh of gross generation, subject to inflation adjustments, and based on a guaranteed take-or-pay (TOP) rate at certain percentage plant factor. The SSA is for a period of 20 to 25 years.

Details of the existing SSAs are as follows:

Contract Area	Guaranteed TOP	End of Contract
Palinpinon II (covers four modular plants)	50% for the 1st year, 65% for the 2nd year, 75% for the 3rd and subsequent years	December 2018 - March 2020
BacMan I	75% plant factor	November 2013
BacMan II (covers two 20 MW modular plants, namely Cawayan and Botong)	50% for the 1st year, 65% for the 2nd year, 75% for the 3rd and subsequent years	March 2019 and December 2022

After the turnover of the power plants to GCGI on October 23, 2009, the SSAs of Tongonan I, Palinpinon I and Palinpinon II were converted to GRSCs. Under the GRSCs which will terminate in 2031, GCGI agrees to pay EDC remuneration for actual net electricity generation of the plant with steam prices in U.S. Dollars per kWh tied to coal indices.

With the rehabilitation of BacMan, billing on the SSA shall resume on (a) the execution of the deed of assignment of the SSA from NPC/PSALM to BGI; or (b) such time that the BacMan power plants resume its operations. On July 25, 2012, EDC, BGI and PSALM executed a letter of agreement for the direct billing and collection of the steam contracts between EDC and BGI. However, PSALM still remains a party to the steam contracts.

- PPAs of EDC
  EDC has existing PPAs with NPC for the development, construction and operation of a geothermal power plant by EDC in the service contract areas and the sale to NPC of the electrical energy generated from such geothermal power plants. The PPA provides, among others, that NPC pays EDC a base price per kWh of electricity delivered subject to inflation adjustments. The PPAs are for a period of 25 years of commercial operations and may be extended upon the request of EDC by notice of not less than 12 months prior to the end of contract period, under such terms and conditions as may be agreed by the parties.

  Details of the existing PPAs are as follows:

Contract Area	Contracted Annual Energy	End of Contract
Leyte-Cebu Leyte-Luzon	1,370 gigawatt-hour (GWh) 3,000 GWh	July 2021 July 2022
52 MW Mindanao I	330 GWh for the first year and 390 GWh for the succeeding years	March 2022
54 MW Mindanao II	398 GWh	June 2024

The PPA for Leyte-Cebu and Leyte-Luzon service contract stipulates a nominated energy of not lower than 90% of the contracted annual energy.

Green Core Geothermal Inc. (GCGI)

With GCGI's takeover of Palinpinon and Tongonan Power Plants effective October 23, 2009, Schedule X of the Asset Purchase Agreement (APA) with PSALM provides for the assignment of 12 NPC Power Supply Agreements (PSAs) to GCGI. As of December 31, 2014, the following Transition Supply Contract (TSC's) remained:

Customers	Contract Expiration
Negros	
Dynasty Management Development Corp. (DMDC)	March 25, 2016
Panay	
Philippine Foremost Milling Corp. (PFMC)	March 25, 2016

Since GCGI's takeover of the power plants, 25 new PSAs have been signed as follows:

Customers	Contract Start	Contract Expiration
Manila		
First Gen Energy Solutions, Inc. (FGES)	June 26, 2013	June 25, 2023
Leyte		
Don Orestes Romualdez Electric Cooperative, Inc. (DORELCO)*	Dec. 26, 2010	Dec. 25, 2020
Leyte II Electric Cooperative, Inc. (LEYECO II)*	Dec. 26, 2010	Dec. 25, 2040
LEYECO II*	Dec. 26, 2011	Dec. 25, 2040
Leyte III Electric Cooperative, Inc. (LEYECO III)*	Dec. 26, 2011	Dec. 25, 2040
Leyte IV Electric Cooperative, Inc. (LEYECO IV)*	Dec. 26, 2012	Dec. 25, 2017
Leyte V Electric Cooperative, Inc. (LEYECO V)*	Dec. 26, 2010	Dec. 25, 2020
Philippine Phosphate Fertilizer Corporation (PHILPHOS)	Dec. 26, 2011	Dec. 25, 2016
Cebu		
Visayan Electric Company, Inc. (VECO)*	Dec. 26, 2010	Dec. 25, 2024
VECO*	Dec. 26, 2011	Dec. 25, 2016
Balamban Enerzone Corporation (BEZ)	Dec. 26, 2010	Dec. 25, 2025
Negros		
Central Negros Electric Cooperative, Inc. (CENECO)*	Dec. 26, 2011	Dec. 25, 2040
Negros Occidental Electric Cooperative, Inc. (NOCECO)*	Dec. 26, 2010	Dec. 25, 2020
Negros Oriental I Electric Cooperative, Inc. (NORECO I)*	Dec. 26, 2010	Dec. 25, 2030
Negros Oriental II Electric Cooperative, Inc. (NORECO II)*	Dec. 26, 2010	Dec. 25, 2035
Northern Negros Electric Cooperative, Inc. (NONECO)**	Dec. 26, 2010	Dec. 25, 2020
Bohol		
Bohol II Electric Cooperative, Inc. (BOHECO II)*	Jan. 26, 2013	Jan. 25, 2040
Panay		
Aklan Electric Cooperative, Inc. (AKELCO)*	March 26, 2010	Dec. 25, 2040
Antique Electric Cooperative, Inc. (ANTECO)***	Dec. 26, 2014	Dec. 25, 2040
Capiz Electric Cooperative, Inc. (CAPELCO)*	Jan. 27, 2010	Dec. 25, 2040
Iloilo I Electric Cooperative, Inc. (ILECO I)*	March 26, 2010	Dec. 25, 2040
Iloilo II Electric Cooperative, Inc. (ILECO II)*	Dec. 26, 2010	Dec. 25, 2030
Iloilo III Electric Cooperative, Inc. (ILECO III)*	Dec. 26, 2012	Dec. 25, 2030

**with Provisional Authority from the ERC as of December 31, 2014*
***NONECO was formerly known as V.M.C. Rural Electric Service Cooperative, Inc. (VRESCO)*
****Preparations are on-going for the filing with the ERC of the applications for the approval of the PSA with ANTECO.*

Coordination with ERC is on-going to secure the Final Authority for the filed applications for the approval of the PSAs with distribution utility and electric cooperative customers. The terms of several PSAs were extended between 2024-2040.

BacMan Geothermal Inc. (BGI)

With BGI's takeover of BacMan Geothermal Power Plants from NPC effective September 2010, BGI entered into several PSAs with various companies and electric cooperative. As of December 31, 2014, following are the outstanding PSAs of BGI:

Customers	Contract Start	Contract Expiration
Meralco	–	–
Philippine Associated and Refining Smelting Corp. (PASAR)	Dec. 26, 2012	Dec. 25, 2015
Camarines Sur II Electric Cooperative, Inc. (CASURECO II)*	Jan. 26, 2013	Jan. 25, 2018
FGES (TCPI)	June 26, 2013	Jan. 25, 2016
First Philippine Industrial Corporation (FPIC)	Dec. 26, 2012	Dec. 25, 2015
FG Hydro (for ECOSIP contract)	Dec. 26, 2014	June 25, 2015
FG Hydro (for NEECO II-Area 1 contract)	Dec. 26, 2014	Dec. 25, 2015

**with Provisional Authority from the ERC as of December 31, 2014*

On November 25, 2014, BGI executed a PSA with Meralco where BGI shall supply Meralco with 50 MW of power from BMGPP over a term of 5 years and can be extended by an additional 2 years. The said PSA shall be submitted to the ERC for approval.

6. **FIRST GEN ENERGY SOLUTIONS, INC. (FGES)**

FGES was incorporated and registered with the SEC on November 24, 2006. FGES markets, supplies, delivers, purchases and sells electricity. In addition, it provides value-added services relevant to its core business.

On May 9, 2011, the Energy Regulatory Commission (ERC) approved the renewal of FGES' Retail Electricity Supplier's (RES) License effective for a period of five years. In October 2012, the ERC likewise granted the renewal of FGES' Wholesale Aggregator's (WA) license effective for a period of five years. With the commencement of the Retail Competition and Open Access (RCOA) on June 26, 2013, FGES' RES business started its commercial operations on the same date with a total contracted energy of 8 megawatts (MW) from two contestable customers, namely Alturas Group of Companies (AGC) and Taiheyo Cement Philippines Inc. (TCPI).

Description of Registrant

Principal products or services. Following is a summary of First Gen's products/services and their markets:

Company	Principal products/services	Market	Effective Contribution to Consolidated Revenues* of First Gen
FGPC	- Power generation	MERALCO	US$779.8 million
FGP	- Power generation	MERALCO	US$425.4 million
FG Bukidnon	- Power generation	CEPALCO	US$1.0 million (or ₱44.7 million)
FG Hydro	- Power generation	WESM / NGCP/ various cooperatives	US$36.6 million (or ₱1,624.1 million)**
EDC	EDC holds service contracts with the DOE corresponding to 14 geothermal contract areas EDC, through its subsidiary, EBWPC, operates the newly-constructed 150 MW wind project in Burgos, Ilocos Norte.	NPC (for power generation & steam sales) and electric cooperatives and industrial customers pursuant to the PPAs and Power Supply Agreements (PSAs)	US$651.7 million
FGES	- Retail energy supply	Contestable customers [e.g. Alturas Group of Companies (AGC) and Taiheiyo Cement Philippines Inc. (TCPI)]	US$8.1 million

** Pertains to revenues from sale of electricity only.*
*** FG Hydro's revenue from sale of electricity is net of the ERC-mandated adjustments in the WESM billings for the months of Nov. and Dec. 2013 totaling to ₱249.6 million (or $5.6 million). This adjustment was taken up in March 2014 only.*

Note: The Philippine-peso balances of FG Bukidnon, FG Hydro and EDC were translated to U.S. Dollar using the weighted average rate of ₱44.351:US$1.00 for the year 2014.

EDC also has evolved into being the country's premier pure renewable energy play, possessing interests in geothermal energy, hydro power and now in wind energy. On November 5, 2014, EDC informed the DOE that its 150 MW Burgos Wind Project located in Ilocos Norte has achieved successful commissioning. On November 12, 2014, the DOE issued a Certificate of Endorsement (COE) to EDC for FIT Eligibility for the 150 MW Burgos Wind Project.

For geothermal energy, EDC's expertise spans the entire geothermal value chain, i.e., from geothermal energy exploration and development, reservoir engineering and management, engineering design and construction, environmental management and energy research and development.

Distribution Methods.

FGPC's Santa Rita power plant supplies electricity to Meralco pursuant to a 25-year PPA dated January 9, 1997. Under the terms of the Santa Rita PPA, capacity and energy are delivered to Meralco at the delivery point (the high voltage side of the step-up transformers) located at the perimeter fence of the Santa Rita plant site. Meralco is responsible for contracting with the NGCP to wheel power from the delivery point to the Meralco grid system.

Like Santa Rita, FGP's San Lorenzo power plant supplies electricity to Meralco pursuant to a 25-year PPA. The 25-year term of the PPA commenced on October 1, 2002, the date of the plant's commercial operations. The terms of the San Lorenzo PPA are substantially similar to those of the Santa Rita PPA's.

FG Bukidnon's FGBHPP is connected to the local CEPALCO distribution grid via the distribution line of NGCP. FG Bukidnon sells all electricity output from its mini-hydro plant to CEPALCO through a PSA effective until March 2025. The PSA was approved by the ERC on November 16, 2009.

FG Hydro's PMHEPP injects electricity into the Luzon grid to service the consumption of its customers which include WESM and PSC clients. This power will be delivered to the distribution systems of these customers through the Pantabangan and Cabanatuan substations which are owned, operated and maintained by NGCP.

EDC's geothermal power plants sell electricity to electric cooperatives and industrial customers in the Visayas region, and are transmitted to customers (i.e. distribution utilities, electric cooperatives or bulk power customers) by NGCP through its high voltage backbone system.

New Product / Service. First Gen also intends to expand into businesses that complement its power generation operations. In particular, the company expects to play a major role in the development of downstream natural gas transmission and distribution facilities, and other projects using renewable sources of energy, which are among the flagship projects of the DOE.

Natural gas pipeline. In January 2001, R. A. No. 8997 was enacted, granting FGHC, a subsidiary of First Gen, a 25-year legislative franchise to construct, install, own, operate and maintain pipeline systems for the transportation and distribution of natural gas throughout Luzon. The franchise is the only specific legislative franchise granted by the Philippine Congress for Luzon and is an important part of First Gen's strategy to enter the downstream natural gas transmission and distribution business.

In September 2005, FGHC assigned, transferred, and conveyed its franchise and all rights, title, interest, privileges, and obligations thereunder to First Gas Pipeline Corporation (FG Pipeline), which will be tasked to take the lead in pursuing all gas pipeline-related projects of First Gen.

FGHC, through its subsidiary FG Pipeline, has an Environmental Compliance Certificate (ECC) for the Batangas to Manila pipeline project and has undertaken substantial pre-engineering works and design and commenced preparatory works for right-of-way acquisition activities, among others.

New Gas projects.

- FNPC
  On December 16, 2013, FNPC, the project company of the San Gabriel project, signed several project agreements for the development of an approximately 450 MW (nominal) net capacity combined-cycle gas-fired power plant to be located in Santa Rita, Batangas City and adjacent to the existing Santa Rita and San Lorenzo plants. The San Gabriel project, which is intended to serve the mid-merit and, potentially, the base load requirements of the Luzon Grid, is expected to be in commercial operations in March 2016. Construction of the new gas-fired power plant is on-going.

- PMPC
  On August 1, 2014, PMPC, a wholly-owned subsidiary of the 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 Company's 1000 MW Santa Rita and 500 MW San Lorenzo natural gas-fired power plants in Batangas City.

Hydro Projects.

- FG Bukidnon
  On October 23, 2009, FG Bukidnon entered into a Hydropower Service Contract (HSC) with the DOE, which grants FG Bukidnon the exclusive right to explore, develop, and utilize the hydropower resources within the Agusan river mini-hydro contract area.

  FG Bukidnon shall furnish the services, technology, and financing for the conduct of its hydropower operations in the contract area in accordance with the terms and conditions of the HSC. The HSC is effective for a period of 25 years from the date of execution, or until October 2034. Pursuant to the RE Law and the HSC, the National Government and Local Government Units shall receive the Government's share equal to 1.0% of FG Bukidnon's preceding fiscal year's gross income for the utilization of hydropower resources within the Agusan mini-hydro contract area.

- FG Mindanao
  On October 23, 2009, FG Mindanao also signed five HSCs with the DOE in connection with the following projects: (1) Puyo River Hydropower Project in Jabonga, Agusan del Norte; (2) Cabadbaran River Hydropower Project in Cabadbaran, Agusan del Norte; (3) Bubunawan River Hydropower Project in Baungon and Libona, Bukidnon; (4) Tumalaong River Hydropower Project in Baungon, Bukidnon; and (5) Tagoloan River Hydropower Project in Impasugong and Sumilao, Bukidnon. The five (5) HSCs give FG Mindanao the exclusive right to explore, develop, and utilize renewable energy resources within their respective contract areas, and will enable FG Mindanao to avail itself of both fiscal and non-fiscal incentives pursuant to the RE Law.

  The pre-development stage under each of the HSCs is two years from the time of execution of said contracts (the "Effective Date") and can be extended for another one year if FG Mindanao has not been in default of its exploration or work commitments and has provided a work program for the extension period upon confirmation by the DOE. On October 11, 2011, FG Mindanao requested the DOE for its confirmation of the one (1) year extension of the pre-development stage pursuant to the HSCs for these 5 hydro projects. Each of the HSCs also provides that upon submission of declaration of commercial viability, as confirmed by the DOE, it is to remain in force during the remaining life of the of 25-year period from the Effective Date.

  On July 2, 2013 and July 3, 2013, FG Mindanao obtained from the DOE the Certificate of Confirmation of Commerciality confirming the conversion of the five (5) HSCs from Pre-development to Development stage.

  On August 5, 2013, FG Mindanao entered into respective Deeds of Assignments with FGen Bubunawan, FGen Puyo, FGen Cabadbaran, FGen Tagoloan and FGen Tumalaong to assign and transfer FG Mindanao's full rights and obligations over the five (5) HSCs. On March 11, 2014, the DOE approved the assignment of Puyo, Bubunawan and Tagoloan hydroprojects was approved and issued the corresponding Certificates of Registration and Certificates of Confirmation of Commerciality under FGen Puyo, FGen Bubunawan, and FGen Tagoloan, respectively. Consequently, on October 27, 2014, BOI approved the assignment of Puyo and Bubunawan hydropower projects and issued the corresponding Certificates of Registration under FGen Puyo and FGen Bubunawan, respectively.

  FG Mindanao submitted its declaration of commerciality for each of the Puyo River Hydropower Project and the Bubunawan River Hydropower Project on March 12, 2012, for Cabadbaran River Hydropower Project on August 16, 2012, and for each of the Tagoloan River Hydropower Project and the Tumalaong River Hydropower Project on October 22, 2012. On June 27, 2013, the BOI has issued the Certificate of Registration to FG Mindanao

as a RE Developer of hydropower energy resources for Bubunawan, Cabadbaran and Puyo projects pursuant to the RE Law.

- FG Prime and FG Premier
  On March 29, 2012, the DOE awarded to FG Prime and FG Premier an HSC to develop a 300 MW Pump Storage Hydroelectric Power Plant in Pantabangan, Nueva Ecija and the 300 MW Angat (Pump Storage) Hydro Project in Norzagaray, Bulacan, respectively. The respective HSCs provide the companies with the exclusive right to explore, develop, and utilize renewable energy resources within FG Prime's and FG Premier's respective contract areas, and will enable FG Prime and FG Premier to avail itself of both fiscal and non-fiscal incentives pursuant to the RE Law. On April 22, 2013, FG Prime and FG Premier each engaged an international engineering consultancy firm to conduct feasibility study for their respective projects. After the site selection review, the consultancy firm recommended to FG Prime to pursue the development of an alternative project site, while the consultancy firm has recommended to FG Premier to pursue the development of the identified initial Project site. The DOE has already approved FG Prime's request to amend the contract area under the HSC. In 2014, FG Prime continued to conduct preliminary engineering surveys and investigations based on the amended contract area in the new Project site. With the support of the Company, FG Premier continued to conduct preliminary engineering surveys and investigations on the 300 MW Angat Pump Storage in 2014.

  The pre-development stage under the HSC is two years from the time of execution of the said contract. It can be extended for another year provided that the companies have not been in default of its exploration or work commitments, and have submitted a work program for the extension period, subject to confirmation of the DOE. On February 18, 2014, FG Prime and FG Premier each requested for a one-year extension of the pre-development stage. The respective requests for extension were approved by the DOE on October 13, 2014.

- FG Luzon
  On March 10, 2011, a Memorandum of Agreement ("MOA") covering the development of the proposed Balintingon Reservoir Multi-Purpose Project ("BRMPP") was signed among the Company's wholly owned subsidiary, FG Luzon, the Province of Nueva Ecija and the Municipality of General Tinio. The project will involve the development construction and operation of a new hydro reservoir and a new hydroelectric power plant in the Municipality of General Tinio, Nueva Ecija for purposes of power generation, irrigation and domestic water supply.

  A MOA was executed on November 16, 2011 between FG Luzon and NIA for the conduct of a comprehensive study on the economic, financial and technical viability of the Project.

  On March 29, 2012, the Project was awarded an HSC under the DOE Certificate of Registration No. HSC 2012-01-194.

Wind Projects.

- FGRI
  First Gen continued its efforts in developing renewable energy projects particularly in wind power through its wholly-owned subsidiary FGRI, which carries on the evaluation of several potential wind exploration and development sites in the Philippines.

  On July 2012, the Certificates of Registration were issued by the DOE to FGRI as RE Developer of Wind Energy Resources located in the Municipalities of Mercedes-Daet, Camarines Norte and in the Municipality of Burgos, Ilocos Norte.

  FGRI had completed an almost 2-year wind measurement in Mercedes, Camarines Norte and is now on its way to starting wind measurements in Burgos, Ilocos Norte.

  Conducting wind measurements is one of the initial activities needed to assess the wind resource. It will be followed by wind data analysis to further confirm the viability of wind power project.

- EDC

  On September 14, 2009, EDC entered into a WESC 2009-09-004 with the DOE granting EDC the right to explore and develop the Burgos Wind Power Project (BWP) for a period of 25 years from effective date. The pre-development stage under the WESC shall be two years which can be extended for another one year if EDC does not default in its exploration or work commitments and provides a work program for the extension period upon confirmation by the DOE. The WESC also provides that upon submission of the declaration of commercial viability, as confirmed by the DOE, the WESC shall remain in force for the balance of the 25-year period for the development/commercial stage. The DOE shall approve the extension of the WESC for another 25 years under the same terms and conditions, provided that EDC is not in default in any material obligations under the WESC, and has submitted a written notice to the DOE for the extension of the contract not later than one (1) year prior to the expiration of the 25-year period. The WESC provides that all materials, equipment, plants and other installations erected or placed on the contract area by EDC shall remain the property of EDC throughout the term of the contract and after its termination.

  On May 26, 2010, the BOD of EDC approved the assignment and transfer to EBWPC of all the contracts, assets, permits and licenses relating to the establishment and operation of the BWP. In April 2013, EDC commenced the construction of its 87 MW BWP which is situated in the Municipality of Burgos, Ilocos Norte. The wind farm will consist of 29 units of the Class 1 V90-3.0 MW wind turbine generator to be supplied by Vestas Wind Systems. The transmission line will span 42 kilometers and will connect the wind farm and substation in Burgos to the NGCP substation in Laoag City. The project has an existing Interconnection Agreement with NGCP. EDC expects that the project will be commissioned in 2014 and intends to sell the project's electrical output under the Feed-in-Tariff (FIT), pursuant to the RE Law. Given the aforementioned key activities, EBWPC was granted a Certificate of Confirmation of Commerciality for its 87 MW BWP on May 16, 2013. The certificate converts the project's WESC from exploration/pre-development stage to the development/commercial stage.

  On November 5, 2014, EBWPC informed the DOE that its 150 MW BWP (Phase 1 – 87MW and Phase 2 – 63 MW) 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."

  On November 12, 2014, EBWPC received DOE's COE for FIT Eligibility endorsing the 150MW Burgos Wind Project (Phase 1 – 87 MW and Phase 2 – 63 MW) for the purpose of qualifying the project under the FIT System. The COE for FIT Eligibility was issued by the DOE after validation of the project's successful commissioning in accordance with the set guidelines of the DOE.

Solar Projects.

On August 6, 2014, EDC entered into Solar Energy Service Contract (SESC) SESC No. 2014-07-088 with the DOE granting EDC the right to explore and develop the Solar Energy Project.

EDC currently holds two (2) SESCs with the DOE. The SESCs cover the following areas:

Projects	DOE Certificates of Registration
1) 4 MW Burgos, Ilocos Norte	SESC 2014-07-088 (expiring in 2039)
2) Bago City, Negros Occidental	SESC 2014-04-066 (expiring in 2039)

Retail Electricity Supply.

In May 2013, FGES entered into Retail Supply Contract (RSCs) with contestable customers namely, Alturas Group of Companies and Taiheiyo Cement Philippines Inc. for the monthly supply of electric energy equivalent to 2 MW and 6 MW, respectively, from June 26, 2013 to January 25, 2016. Under the RSCs, the basic energy charges for each billing period are inclusive of the generation charge and retail supply charge.

Competition.

The implementation of the Electric Power Industry Reform Act of 2001 (EPIRA) by the Government paved the way for a more independent and market-driven Philippine power industry. This has allowed for competition not limited by location, and driven by market forces. As such, selling power and, consequently, the dispatch of power plants depend on the ability to offer competitively-priced power to the market. As a group, First Gen has multiple power plants and projects in Luzon, Visayas and Mindanao.

With the privatization of NPC-owned power generation facilities and IPP contracts, the establishment of the WESM, the integration of the Luzon and Visayas grids under the WESM, and the initial commercial operations of the Retail Competition and Open Access (RCOA) in June 2013, First Gen Group now faces competition from other power generation companies, particularly in terms of acquiring off-takers for its existing power plants and future projects. Various multinational companies that currently operate in the Philippines include Korea Electric Power Corporation, Marubeni Energy Corporation, CalEnergy International Services, Inc., and AES Corporation. Domestic corporations, such as San Miguel Corporation, GN Power Corporation of the Philippines, and Aboitiz Power Corporation, compete with First Gen Group for the sale of electricity to different privately-owned distribution utilities. Moving forward, First Gen Group continues to face competition both in the development of new power generation facilities and the acquisition of existing power plants (if there are any), as well as in securing financing for these capital-intensive projects.

First Gen Group believes that it will be able to compete because of its competitively-priced portfolio of power generating assets, the reliability of the power plants, its use of clean and renewable fuels, and its expertise and experience in power supply contracting and trading.

However, it is worth noting that all the existing power generating companies under First Gen have secured long standing PPAs with its customers.

Company	Nature of the Contract
FGPC / FGP Corp.	Meralco is the sole off-taker of power output of FGPC and FGP Corp. under a 25-year PPA.
FG Bukidnon	On February 15, 2010, FG Bukidnon received the decision from the ERC dated November 16, 2009 which modified some of the terms of the PSA. On March 2, 2010, FG Bukidnon filed a Motion for Reconsideration (MR) with the ERC. While still awaiting the ERC's reply to the MR, FG Bukidnon applied the ERC's revised rate for its sale to CEPALCO starting March 2010. On September 9, 2010, FG Bukidnon received the ERC order dated August 16, 2010 partially approving FG Bukidnon's MR. This approved tariff was used starting September 2010. On October 19, 2010, FG Bukidnon filed a motion for clarification on the effectivity of the ERC Order dated August 16, 2010. On May 5, 2011, FG Bukidnon received the ERC order dated April 4, 2011 which clarified that the ERC order dated August 16, 2010 should be applied retroactively from March 2010. FG Bukidnon was able to recover from CEPALCO ₱1.76 million of under-recoveries covering the period March 2010 to August 2010. On June 14, 2012, FG Bukidnon signed a Transmission Service Agreement with NGCP for the latter's provision of the necessary transmission services to FG Bukidnon. The charges under this agreement are as provided in the Open Access Transmission Service Rules and/or applicable ERC orders/issuances. Under the PSA, these transmission-related charges shall be passed through to CEPALCO.
EDC	EDC has existing PPAs with NPC for a period of 25 years of commercial operations and may be extended upon the request of EDC by notice of not less than 12 months prior to the end of contract period, under terms and conditions as may be agreed upon by the parties. EDC's subsidiaries namely, GCGI and BGI have respective customers with long-term PSAs which will expire between 2016 and 2040.
FG Hydro	FG Hydro had contracts which were originally transferred by NPC to FG Hydro as part of the acquisition of PMHEPP for the supply of electric energy with several customers within the vicinity of Nueva Ecija. All these contracts expired as of

December 31, 2010. In 2010, upon renegotiation with the customers and due process as stipulated by the ERC, the expired contracts were renewed except for the contract with PAMES. FG Hydro shall generate and deliver to these customers the contracted energy on a monthly basis. FG Hydro is bound to service these customers for the remainder of the stipulated terms, the range of which falls between December 2008 to December 2020. Upon expiration, these contracts may be renewed upon renegotiation with the customers and due process as stipulated by the ERC. As of December 31, 2014, there are 4 remaining long-term PSAs being serviced by FG Hydro.

Details of the existing contracts are as follows:

Related Contract	Expiry Date	Other Development
Nueva Ecija II Electric Cooperative, Inc., Area 1 (NEECO II -Area 1)	August 25, 2018	FG Hydro and NEECO II-Area 1 executed a five-year new PSA, signed in May 2013. The contract term is for a minimum of five years, commencing on August 26, 2013, and may further continue and remain effective up to August 25, 2023 subject to agreement by both parties on the provisions of Re-Pricing. The ERC granted a provisional approval of the PSA between FG Hydro and NEECO II-Area 1 on January 14, 2014.
Nueva Ecija II Electric Cooperative, Inc., Area 2 (NEECO II –Area 2)	December 25, 2016	The ERC granted a provisional approval on the PSA between FG Hydro and NEECO II-Area 2 on August 2, 2010 with a pending final resolution of the application for the approval thereof.
PAMES	December 25, 2008	There was no new agreement signed between FG Hydro and PAMES. However, FG Hydro had continued to supply PAMES' electricity requirements with PAMES' compliance to the agreed restructured payment terms.
Edong Cold Storage and Ice Plant (ECOSIP)	December 25, 2020	A new agreement was signed by FG Hydro and ECOSIP in November 2010 for the supply of power in the succeeding 10 years.
National Irrigation Administration (NIA)-Upper Pampanga River Integrated Irrigation System	October 25, 2020	FG Hydro and NIA-UPRIIS signed a new agreement in October 2010 for the supply of power in the succeeding 10 years.

The following table sets out the DOE's estimate of the breakdown of total installed capacity as of March 2014, and electricity production by energy source for 2013.

	Installed Capacity	
Energy Source	**MW**	**%**
Coal	5,568	32.14%
Oil Based	3,353	19.36%
Geothermal	1,868	10.78%
Hydro	3,521	20.32%
Natural Gas	2,862	16.52%
Renewable/Others	153	0.88%
Total	**17,026**	**100.0%**

	Power Generation by Source	
Energy Source	**GWh**	**%**
Coal	32,081	42.62%
Oil Based	4,491	5.97%

Geothermal	9,605	12.76%
Hydro	10,019	13.31%
Natural Gas	18,791	24.97%
Renewable/Others	279	0.37%
Total	**75,266**	**100.00%**

Raw Materials and Suppliers.

Company	Sources of raw materials	Supplier of raw materials
FGPC/FGP	- natural gas/ liquid fuel	Malampaya consortium composed of Shell Philippine Exploration, B.V., Chevron Malampaya, LLC and PNOC Exploration Corporation
FG Bukidnon	- water	The plant is a run-of-river facility
FG Hydro	- water	Water release generally determined by NIA
EDC	- steam	Developed by EDC by virtue of PD No. 1442. However, as stated above, the GSCs of EDC (previously governed by P.D. No. 1442) were replaced by GRESCs effective October 23, 2009.
EBWPC	- wind	Established and operated by EDC through its subsidiary EBWPC under DOE Certificate of Registration No. WESC 2009-09-004. The wind farm will consist of 50 wind turbine generator units of the Class 1 V90-3.0 MW wind turbine generator to be supplied by Vestas Wind Systems.

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

There is dependence on customer by virtue of the respective PPAs of FGPC and FGP with Meralco, and of EDC with NPC.

In the case of EDC, close to 43.5% of EDC's electricity revenues are derived from existing long-term PPAs with NPC.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions, and Royalty Agreements.

a.) First Gas
Natural gas pipeline. In January 2001, R. A. No. 8997 was enacted, granting FGHC, where First Gen now beneficially owns 100% effective May 31, 2012, a 25-year legislative franchise to construct, install, own, operate and maintain pipeline systems for the transportation and distribution of natural gas throughout Luzon. The franchise is the only specific legislative franchise granted by the Philippine Congress for Luzon and is an important part of First Gen's strategy to enter the downstream natural gas transmission and distribution business.

b.) FG Mindanao
On October 23, 2009, FG Mindanao also signed 5 HSCs with the DOE in connection with the following projects: Puyo River Hydropower Project in Jabonga, Agusan del Norte; Cabadbaran River Hydropower Project in Cabadbaran, Agusan del Norte; Bubunawan River Hydropower Project in Baungon and Libona, Bukidnon; Tumalaong River Hydropower Project in Baungon, Bukidnon; and Tagoloan River Hydropower Project in Impasugong and Sumilao, Bukidnon.

On August 5, 2013, FG Mindanao entered into respective Deeds of Assignments with FGen Bubunawan, FGen Puyo, FGen Cabadbaran, FGen Tagoloan and FGen Tumalaong to assign and transfer FG Mindanao's full rights and obligations over the five (5) HSCs. On March 11, 2014, the DOE approved the assignment of Puyo, Bubunawan and Tagoloan hydroprojects was approved and issued the corresponding Certificates of Registration and Certificates of Confirmation of Commerciality under FGen Puyo, FGen Bubunawan, and FGen Tagoloan, respectively. Consequently, on October 27, 2014, BOI approved the

assignment of Puyo and Bubunawan hydropower projects and issued the corresponding Certificates of Registration under FGen Puyo and FGen Bubunawan, respectively.

FG Mindanao submitted its declaration of commerciality for each of the Puyo River Hydropower Project and the Bubunawan River Hydropower Project on March 12, 2012, for Cabadbaran River Hydropower Project on August 16, 2012, and for each of the Tagoloan River Hydropower Project and the Tumalaong River Hydropower Project on October 22, 2012. On June 27, 2013, the BOI has issued the Certificate of Registration to FG Mindanao as a RE Developer of hydropower energy resources for Bubunawan, Cabadbaran and Puyo projects pursuant to the RE Law.

c.) FG Luzon
A MOA was executed on November 16, 2011 between FG Luzon and NIA for the conduct of a comprehensive study on the economic, financial and technical viability of the BRMPP.

On March 29, 2012, the Project was awarded an HSC under the DOE Certificate of Registration No. HSC 2012-01-194.

d.) EDC
The 5 geothermal service contract areas where EDC's geothermal steamfields are located are:

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

These contract areas are located in 4 islands of the Philippines, namely: Luzon, Leyte, Negros and Mindanao. The following table provides a summary of EDC's geothermal projects, grouped by the contract areas in which they are located:

Contract Area	**Expiration of GRESC**	**Project**	**Installed Capacity** (in MWe)	**Product**	**Expiration of Offtake Agreement**	**Minimum Take-or-pay Capacity** [1] (in GWh/year)	**Plant Owner**
Tongonan Geothermal Project	2031	Tongonan	112.5	Steam and Electricity	2009 (SSA) [2] 2031 (GRSC)	3,750.0 [1]	GCGI[5]
		Upper Mahiao	125.0	Steam and Electricity	2022 (PPA) [4]		EDC
		Malitbog	232.5	Steam and Electricity	2022 (PPA) [4]		EDC
		Mahanagdong	180.0	Steam and Electricity	2022 (PPA) [4]		EDC
		Optimization	50.9	Steam and Electricity	2022 (PPA) [4]		EDC
Northern Negros Geothermal Project	2044[3]	Northern Negros		Steam and Electricity	2012 (ESA)	N/A	EDC
Southern Negros Project	2031	Palinpinon I	112.5	Steam and Electricity	2008 (SSA)[2] 2031 (GRSC)		GCGI[5]
		Palinpinon II	80.0	Steam and Electricity	2018 (SSA) 2031 (GRSC)		GCGI[5]
		Nasulo	49.4	Steam and Electricity			EDC
Bacon-Manito Geothermal Project	2031	BacMan I	110.0	Steam	2018 (SSA)	722.7	BGI[6]
		BacMan II	40.0	Steam	2019/2023 (SSA)	131.4	BGI[6]
Mt. Apo Geothermal Project	2042[3]	Mindanao I	52.0	Steam and Electricity	2022 (PPA)	390.0	EDC
		Mindanao II	54.0	Steam and Electricity	2024 (PPA)	398.0	EDC
			1,198.8			**5,392.1**	

[1] *Refers to 1-year period, ending in July 2015. Minimum Take-or-pay capacity varies from year to year.*
[2] *The SSAs that govern the sale of steam for use at the NPC-owned Tongonan I and Palinpinon I power plants expired in December 2008 but were extended to a date when these plants are sold or privatized, pursuant to the privatization process under the EPIRA.*
[3] *Includes a 25-year extension period to GRESC.*
[4] *Unified Leyte PPA*

[5] *On October 23, 2009, the Palinpinon and Tongonan geothermal power plants were turned over to Green Core, which won the PSALM's auction of the said plants last September 2, 2009.*
[6] *On September 3, 2010, the Bacman 1 and Bacman II geothermal power plants were turned over to BGI, which won the PSALM's auction of the said plants last May 5, 2010.*

EDC, through its subsidiaries GCGI and BGI, secured 3 Geothermal Operating Contracts covering the power plant operations:

1) Tongonan Geothermal Power Plant under DOE Certificate of Registration No. GOC 2012-04-038 (with a 25-year contract period expiring in 2037, renewable for another 25 years);
2) Palinpinon Geothermal Power Plant under DOE Certificate of Registration No. GOC 2012-04-037 (with a 25-year contract period expiring in 2037, renewable for another 25 years); and,
3) Bacon-Manito Geothermal Power Plant under DOE Certificate of Registration No. GOC No. 2012-04-039 (with a 25-year contract period expiring in 2037, renewable for another 25 years)

EDC also holds geothermal resource service contracts for the following prospect areas:

1) Mt. Cabalian Geothermal Project (expiring by 2034)
2) Mt. Labo Geothermal Project (with a 5-year pre-development period expiring in 2015, and a 25-year contract period expiring in 2035)
3) Mt. Mainit Geothermal Project (with a 5-year pre-development period expiring in 2015, and a 25-year contract period expiring in 2035)
4) Ampiro Geothermal Project (with a 5-year pre-development period expiring in 2017, and a 25-year contract period expiring in 2037)
5) Mandalagan Geothermal Project (with a 5-year pre-development period expiring in 2017, and a 25-year contract period expiring in 2037)
6) Mt. Zion Geothermal Project (with a 5-year pre-development period expiring in 2017, and a 25-year contract period expiring in 2037)
7) Lakewood Geothermal Project (with a 5-year pre-development period expiring in 2017, and a 25-year contract period expiring in 2037)
8) Balingasag Geothermal Project (with a 5-year pre-development period expiring in 2017, and a 25-year contract period expiring in 2037)

The remaining service contract of EDC that is still covered by P.D. 1442 as of December 31, 2013 is that of Mt. Cabalian in Southern Leyte which has a term of 25 years from the effective date of the contract, January 31, 1997, and for an additional period of 25 years if EDC does not default on its obligations under the GSC. In 2013, EDC assessed that its Cabalian geothermal project located in Southern Leyte is impaired due to issues on productivity and sustainability of geothermal resources in the area. In 2014, after thorough assessment, EDC surrendered to the DOE the GSC covering the Southern Leyte Geothermal Project located in Cabalian, Southern Leyte. EDC has found the project not viable considering the size of the resource and the risks associated with the development and sustainability thereof.

In 2010, EDC entered into five WESCs with the DOE for the following contract areas:

Projects	DOE Certificates of Registration
1) Pagudpud Wind Project	WESC 2010-02-040 (expiring in 2035)
2) Camiguin Wind Project	WESC 2010-02-041 (expiring in 2035)
3) Taytay Wind Project	WESC 2010-02-042 (expiring in 2035)
4) Dinagat Wind Project	WESC 2010-02-043 (expiring in 2035)
5) Siargao Wind Project	WESC 2010-02-044 (expiring in 2035)

In February 2013, EPWPC submitted its Declaration of Commerciality to the DOE for the Pagudpud wind project, similarly seeking to convert the project from exploration/pre-development stage to the development/commercial stage. As of March 12, 2015, EPWPC is awaiting the DOE's Confirmation of Commerciality of the Pagudpud wind project.

Meanwhile, on December 19, 2011, EDC submitted a letter of surrender covering the Taytay, Dinagat and Siargao contract areas, and on January 11, 2013 covering the Camiguin contract area, and thus will thus no longer pursue these project areas further. Per Section 4.2 of the

WESC, the surrender will take effect 30 days upon the RE Developer's submission of a written notice to the DOE.

EDC holds ten (10) Wind Energy Service Contracts (WESC) with the DOE. The WESCs cover the following:

Projects	DOE Certificates of Registration
1) 150 MW wind project in Burgos, Ilocos Norte	WESC 2009-09-004 (expiring in 2034)
2) 84 MW wind project in Pagudpud, Ilocos Norte	WESC 2009-09-004 (expiring in 2034)
3) Burgos 1 wind project in Burgos, Ilocos Norte	WESC 2013-12-063 (expiring in 2038)
4) Burgos 2 wind project in Burgos, Ilocos Norte	WESC 2013-12-063 (expiring in 2038)
5) Matnog 1 wind project in Matnog & Magdalena, Sorsogon	WESC 2014-07-075 (expiring in 2039)
6) Matnog 2 wind project in Matnog, Sorsogon	WESC 2014-07-076 (expiring in 2039)
7) Matnog 3 wind project in Matnog, Sorsogon	WESC 2014-07-077 (expiring in 2039)
8) Iloilo 1 wind project in Batad & San Dionisio, Iloilo	WESC 2014-07-078 (expiring in 2039)
9) Iloilo 2 wind project in Concepcion, Iloilo	WESC 2014-07-079 (expiring in 2039)
10) Negros wind project in Manapla & Cadiz City	WESC 2014-07-080 (expiring in 2039)

In June 2012, the WESC for the Pagudpud project was assigned by EDC to its subsidiary, EDC Pagudpud Wind Power Corporation (EPWPC).

In terms of the solar projects, EDC holds two (2) Solar Energy Service Contracts (SESC) with the DOE. The SESCs cover areas in the following:

Projects	DOE Certificates of Registration
1) 4 MW Burgos, Ilocos Norte	SESC 2014-07-088 (expiring in 2039)
2) Bago City, Negros Occidental	SESC 2014-04-066 (expiring in 2039)

Government Approvals. FGPC and FGP have each procured accreditation from the Energy Industry Accreditation Board (EIAB) for its operation as a private sector generation facility.

Pursuant to R.A. No. 9136, the EPIRA and its Implementing Rules and Regulations (IRR), FGPC, FGP and FG Bukidnon have filed their applications for the issuance of a Certificate of Compliance (COC) for the operations of their respective power plants.

FGP, FGPC, FG Hydro and FG Bukidnon have been granted COCs by the ERC for the operation of their respective power plants on September 14, 2005, November 5, 2003, June 3, 2008 and February 16, 2005, respectively. The COCs, which are valid for a period of 5 years, signify that the companies in relation to their respective generation facilities have complied with all the requirements under relevant ERC guidelines, the Philippine Grid Code, the Philippine Distribution Code, the WESM rules, and related laws, rules and regulations. Subsequently, FGP, FGPC, FG Hydro and FG Bukidnon successfully renewed their relevant COCs on September 6, 2010, October 29, 2013, December 1, 2010, and February 8, 2010, respectively. Such COCs are valid for a period of 5 years from the date of issuance.

FGES has been granted the Wholesale Aggregator's Certificate of Registration on May 17, 2007, effective for a period of five years, and the RES License on February 27, 2008, effective for a period of three years. Subsequently, FGES applied for the renewal of its RES License on May 9, 2011. The ERC approved the renewal which is effective for a period of five years.

The following have been issued to FGPC/FGP/FG Hydro/FNPC/PMPC:

Gov't. Agency	Documents Issued
BOI	Certificate of Registration
DENR	Environment Compliance Certificate
DENR	Permit to Operate Water and Air Pollution Installation

Government Regulations.

ELECTRIC POWER INDUSTRY REFORM ACT of 2001 (EPIRA)

R.A. No. 9136, otherwise known as the EPIRA, and the covering IRR, provide for significant changes in the power sector, which include, among others: the functional unbundling of the generation, transmission, distribution and supply sectors; the privatization of the generating plants and other disposable assets of the NPC, including its contracts with IPPs; the unbundling of electricity rates; the creation of a WESM; and the implementation of open and nondiscriminatory access to transmission and distribution systems.

Wholesale Electricity Spot Market
WESM Luzon has already been commercially operating for almost 9 years since its commencement on June 26, 2006. Annual average Luzon spot prices ranged from approximately ₱4.76/kWh, ₱3.89/kWh, and ₱4.98/kWh for 2012, 2013, and 2014 respectively. It must be noted, however, that the drop in 2014 WESM prices is attributable to the voiding of WESM prices for the November to December 2013 billing period.

On the other hand, WESM Visayas was operated and integrated with the Luzon grid on December 26, 2010. Annual average Visayas spot prices ranged from approximately ₱4.72/kWh, ₱3.82/kWh, and ₱3.97/kWh for 2012, 2013, and 2014 respectively.

Mindanao does not have a WESM yet. However, last September 26, 2013, the Interim Mindanao Electricity Spot Market (IMEM) was commercially operated. In contrast to the WESM in Luzon and Visayas, IMEM will be a day-ahead market intended to draw out uncontracted generation capacities and augment the supply, as well as attract the voluntary curtailment of load customers to lower the demand. The IMEM is seen as a medium-term and interim solution to address the supply deficiency in Mindanao, until the entry of new capacities in Mindanao by 2015. The IMEM also serves as a transition towards WESM in Mindanao as the grid is expected to be ready for actual WESM operations.

Retail Competition and Open Access
The EPIRA provides for a system of Retail Competition and Open Access (RCOA). With RCOA, the end users will be given the power to choose its energy source. Prior to RCOA, distribution utilities procured power supply in behalf of its consumers. With RCOA, the RES chosen by the consumer will do the buying and selling of power and the distribution utility shall deliver the same.

RCOA shall be implemented in phases. During the 1st phase only end users with an average monthly peak demand of 1 MW for the 12 months immediately preceding the start of RCOA, shall have a choice of power supplier, as a contestable customer. Later, in the 2nd phase, the peak demand threshold will be lowered to 0.75 MW, and will continue to be periodically lowered until the household demand level is reached.

In a joint statement issued by the DOE and ERC, dated September 27, 2012, a new timeline for the 1st phase implementation of RCOA was prescribed. December 26, 2012 was marked as the Open Access date. This signaled the beginning of the six-month transition period until June 25, 2013. The transition period shall involve the contracting of the retail supply contracts, metering installations, registration and trainings, trial operations by March 2013, and supplier of last resort service or disconnection.

The initial commercial operations of the RCOA commenced on June 26, 2013. For this, ERC issued Resolution No. 11, Series of 2013 providing that a contestable customer can stay with its respective distribution utility until such time that it is able to find a RES. In case a contestable customer decides to participate in the competitive retail market, it should advise the distribution utility that it will be leaving the distribution utility's regulated service at least 60 days prior to the effectivity of its RSC with a RES.

The current RCOA is governed by the Transitory Rules for the Implementation of Open Access and Retail Competition (ERC Resolution No. 16, Series of 2012) that was established last December 17, 2012 to ensure the smooth transition from the existing structure to a competitive market.

Proposed Amendments to the EPIRA

Below are proposed amendments to the EPIRA that, if enacted, may have a material effect on First Gen Group's electricity generation business, financial condition and results of operations.

In the Philippine Congress, pending for committee approval are:

1. Senate Bill (SB) No. 2167: An Act Amending Section 47 of Republic Act No. 9136, Otherwise Known As the Electric Power Industry Reform Act
2. Senate Bill (SB) No. 2059: An Act Amending Republic Act No. 9136, Otherwise Known As the Electric Power Industry Reform Act
3. House Bill (HB) No. 4822: An Act Amending Republic Act No. 9136 or the Electric Power Industry Reform Act (EPIRA) and Providing for Needed Additional Reforms in the Energy Sector for the Protection of Electricity Consumers Against Market Power Abuse and Unwarranted Power Rates Increases, And For Other Purposes
4. House Bill (HB) No. 4479: An Act Amending Certain Provisions of Republic Act No. 9136 Otherwise Known as an Act Ordaining Reforms in The Electric Power Industry or EPIRA and for Other Purposes.
5. House Bill (HB) No. 3958: An Act Amending Republic Act No. 9136, Otherwise Known as the Electric Power Industry Reform Act of 2001 or EPIRA, and for Other Purposes
6. Joint Resolution Authorizing The President Of The Philippines, His Excellency Benigno S. Aquino III, To Effectively Address The Projected Electricity Imbalance In The Luzon Grid From March 1, 2015 To July 31, 2015, And Providing The Terms And Conditions Therefore

The aforementioned bills passed their respective first readings and are currently being deliberated in the committees.

First Gen Group cannot provide any assurance whether these proposed amendments will be enacted in their current form, or at all, or when any amendment to the EPIRA will be enacted. Proposed amendments to the EPIRA, including the above bills, as well as other legislation or regulation could have a material impact on the First Gen Group's business, financial position and financial performance.

RENEWABLE ENERGY (RE) LAW OF 2008 (RE Law)

On January 30, 2009, RA No. 9513, "An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes," otherwise known as the "RE Law of 2008" or the "RE Law", became effective. On May 25, 2009, DOE Circular No. DC2009-05-0008, otherwise known as the "Implementing Rules and Regulations (IRR) of Republic Act No. 9513, was issued and became effective on June 12, 2009.

The RE Law aims to accelerate the exploration and development of RE resources, increase the utilization of renewable energy resources, increase the utilization of renewable energy, encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions, and establish the necessary infrastructure and mechanism to carry out mandates specified in the RE Law.

The RE Law also provides various fiscal and non-fiscal incentives to RE developers and manufacturers, fabricators, and suppliers of locally-produced RE equipment and components. The incentives to RE developers include, among others, Income Tax Holiday (ITH) for the 1st 7 years of the RE developers' commercial operations or, if there is a failure to receive ITH, accelerated depreciation; duty free importation of RE machinery, equipment and materials; special realty tax rates on civil works, equipment, machinery, and other improvements not to exceed 1.5% of the original cost less accumulated normal depreciation or net book value; NOLCO during the 1st 3 years from the start of commercial operations to be carried over as a deduction from gross income for the next 7 consecutive taxable years; 10% corporate income tax after ITH; 0% percent VAT tax rate on sale of power and purchase of local supply of goods, properties, and services; cash incentive for missionary electrification; tax exemption of proceeds from the sale of carbon emission credits; and tax credit on domestic capital equipment and services.

On August 10, 2009, the DOE issued the "Guidelines Governing a Transparent and Competitive System of Awarding Renewable Energy Service/Operating Contracts and Providing for the Registration Process of Renewable Energy Developers" (DOE Circular No. DC2009-07-0011),

and the "Guidelines for the Accreditation of Manufactures, Fabricators and Suppliers of Locally-Produced Renewable Energy Development Equipment and Components (DOE Circular No. DC2009-07-0010). The DOE had since then began executing various service/operating contracts with RE developers.

Environmental Laws.

On November 25, 2000, the IRR of the Philippine Clean Air Act (PCAA) took effect. The IRR contain provisions that have an impact on the industry as a whole, and on FGP and FGPC in particular, that need to be complied with within 44 months (or July 2004) from the effectivity date, subject to approval by the DENR. The power plants of FGP and FGPC use natural gas as fuel and have emissions that are way below the limits set in the National Emission Standards for Sources Specific Air Pollution and Ambient Air Quality Standards. Based on FGP's and FGPC's initial assessments of the power plants' existing facilities, the companies believe that both are in full compliance with the applicable provisions of the IRR of the PCAA.

EDC's geothermal steam field and power generation operations are likewise subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These legal requirements address, among other things, air emissions, wastewater discharges, handling of chemicals, generation and management of hazardous wastes, workplace conditions within power plant facilities and employee exposure to hazardous substances.

Company	Cost of compliance with Environmental Laws
FGPC	US$0.056 million
FGP	US$0.013million
EDC	₱154.0 million

Employees.

Company	Number of regular employees		Union Members	CBA Expiration
First Gen		75	None	NA
Expatriates	8			
Vice President and up	11			
Assistant Vice President	8			
Senior Manager	9			
Manager	6			
Assistant Manager	11			
Supervisor	11			
Staff	11			
FGHC		15	None	NA
Vice President	2			
Assistant Vice President	2			
Senior Manager	0			
Manager	2			
Assistant Manager	1			
Supervisor	5			
Staff	3			
FGPC		109	None	NA
Vice-President and up	13			
Assistant Vice-President	11			
Senior Manager	7			
Manager	15			
Assistant Manager	16			
Supervisor	13			
Staff	34			
FGP		65	None	NA
Vice President and up	3			
Assistant Vice President	10			
Senior Manager	3			
Manager	6			

Assistant Manager	6			
Supervisor	16			
Staff	21			
FGBPC		11	None	NA
Assistant Manager	1			
Supervisor	1			
Staff	9			
FGRI		3		
Supervisor	2			
Staff	1			
FGMHPC		63		
Assistant Vice-President	1			
Senior Manager	2			
Manager	4			
Assistant Manager	9			
Supervisor	19			
Staff	28			
FGES		9		
Assistant Vice President	2			
Manager	3			
Assistant Manager	2			
Supervisor	1			
Staff	1			
PMPC		10	None	NA
Manager	1			
Assistant Manager	1			
Supervisor	1			
Staff	7			
FNPC		4	None	NA
Supervisor	1			
Staff	3			
EDC		2,233*		
EVP, Senior VP, and AVP	21			
Sr. Manager, Manager	95			
Asst. Mgr., Sr. Supervisor	85		12	
Supervisor, P/T	1,274		331	
Staff	748		648	

** This includes the employees of GCGI (composed of 181 employees) and BGI (composed of 79 employees) as of December 31, 2014.*

EDC has 12 labor unions, each representing a specific collective bargaining unit allowed by law. They are distributed in the different locations as follows:

No.	Union Name		Site	No. of members
1	PEGEA	PNOC-Energy Group of Employees Association	HO	50
2	UPE	United Power Employees' Union	LGBU	42
3	SNGPF RF	PNOC-EDC SNGP Rank and File Union	NIGBU	116
4	TWU	Tongonan Worker's Union	LGBU	48
5	LAGPEU	Leyte A Geothermal Project Employees' Union	LGBU	206
6	BGPF RF	Demokratikong Samahang Manggagawa ng PNOC-BGPF/Association of Democratic Labor Organization	BGBU	106
7	MAWU	Mt. Apo Worker's Union/ Association of Labor Unions	MAGBU	70
8	BAPTEU	Bacman Professional and Technical Employees Union	BGBU	32
9	MAPTEU	Mt. Apo Professional Technical Employees' Union	MAGBU	41

10	LEGSPTEU	Leyte Geothermal Supervisory, Professional and Technical Employees Union	LGBU	166
11	PESSA	PNOC EDC Southern Negros Geothermal Project Supervisory Association	NIGBU	67
12	EBSEU	EDC-BGPF Supervisory Employees' Union	BGBU	21
TOTAL				**965**

These unions enter into regular collective bargaining agreements (CBAs) with EDC as regards to number of working hours, compensation, employee benefits, and other employee entitlements as provided under Philippine labor laws. In September 2014, EDC and all seven (7) rank-and-file unions held a first-ever Unified CBA negotiations that culminated in the conclusion of seven (7) CBAs in just one (1) meeting.

EDC's management believes that its current relationship with its employees is generally good. Although EDC had been involved in arbitrations with its labor unions, it has not experienced in the last fourteen (14) years any strikes, lock-outs or work stoppages as a result of labor disagreements.

Major Risks.

First Gen Group's principal financial liabilities are comprised of 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 board of directors 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 24.3% 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 December 31, 2014, approximately 65.6% of First Gen Group's borrowings are subject to fixed interest rate after considering the effect of its interest rate swap agreements.

Foreign Currency Risk

First Gen Group's exposure to foreign currency risk arises as the functional currency of the 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.

In the case of 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.

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.

Concentration of Credit Risk

The 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 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.

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.

Item 2. Properties

Property, plant and equipment consists of land, power plant complex, buildings and improvements, machinery and other equipment in various locations:

First Gas Holdings Corporation / First Gas Power Corporation

FGHC's wholly-owned subsidiary, FGPC, operates the 1,000 MW Santa Rita Power Plant located in Santa Rita, Batangas City. The power plant consists of 4 units where each unit is composed of a gas turbine, a steam turbine, and a generator connected to a common shaft and the corresponding heat recovery steam generator. The plant site occupies a total land area of 33 hectares. Buildings and structures consists of a power island, switchyard, control room and administration building, circulating water pump building, circulating water intake and outfall structure, tank farm, liquid fuel unloading jetty, water treatment plant, liquid fuel forwarding and treatment building, gas receiving station and other support structures. The power plant also includes a transmission line, which interconnects the Santa Rita power plant to the Calaca substation.

The property, plant and equipment, with a net book value of US$278.0 million as of December 31, 2014 has been pledged as security for long-term debt. FGPC has entered into a Mortgage, Assignment and Pledge Agreement whereby a first priority lien on most of FGPC's real and other properties, including revenues from operations of the power plant, has been executed in favor of the lenders. In addition, FGPC's shares of stock were pledged as part of the security to lenders.

Unified Holdings Corporation / FGP Corp.

UHC's 60%-owned subsidiary, FGP, operates the 500 MW San Lorenzo Power Plant located in Santa Rita, Batangas City. The power plant consists of 2 units where each unit is composed of a gas turbine, a steam turbine, and a generator connected to a common shaft and the corresponding heat recovery steam generator. The plant site occupies a total land area of 24 hectares. Buildings and structures consists of a power island, which consists of 1 block with a capacity of 500 MW. It also shares some of the facilities being used by the Santa Rita plant (e.g. control room and administration building, transmission line, circulating water pump building, tank farm, liquid fuel unloading jetty, water treatment plant, gas receiving station, among others).

The net book value of FGP's property, plant and equipment amounted to US$188.1 million as of December 31, 2014. The covenants in the new term loan facility of FGP 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.

FG Bukidnon Power Corp.

The FGBHPP is located at Damilag, Manolo Fortich, Bukidnon, approximately 36 kms. southeast of Cagayan de Oro City and 4 kms. from the pineapple plantations of Del Monte Philippines in Mindanao. The run-off-river plant consists of 2 generating units each rated at 1,000 kVA, 0.8 pf. Power is generated by 2 identical Francis horizontal shaft reaction turbines and generators with an effective head of 121.5 meters running at 900 rpm and 2.4 kV generated voltage. The plant generates power through the use of water from Agusan River. The water from the dam passes through a waterway open canal 5,545 meter along with a bottom width of 1 meter. The water is then conveyed through the thrash rack located at the intake structure of the reservoir with a total

storage capacity of 40,000 m3, covering 2.83 ha. The water flows to the penstock and is directed to 2 pipes leading to each generating unit.

As of December 31, 2014, the net book value of FGBHPP's property, plant and equipment amounted to ₱64.6 million.

Energy Development Corporation

EDC is the registered owner of land located in various parts of the Philippines. As of December 31, 2014, these lands were valued by Cuervo Appraisers Inc. and Royal Asia Appraisal Corporation, independent appraisers of EDC, at ₱1.13 billion. EDC's landholdings include lots in Bonifacio Global City in Taguig with a total area of 5,794.5 square meters, Baguio City with an area of 2,558 sq.m. and numerous lots used for geothermal operations in the cities of Ormoc, Bago, and Sorsogon and also in the municipalities of Kananga, Valencia, and Manito with an aggregate area of 188 hectares.

EDC does not own any parcel of land in its Mindanao Geothermal Project as the area where EDC's geothermal facilities and power plants are located is classified as public land. In Northern Luzon, majority of lots that were leased by the Company in Burgos, Ilocos Norte are now under the process of expropriation in preparation for the construction of the Burgos Wind Project.

The following table sets out certain information regarding EDC's landholdings:

Location / Project	Parcel of Land	Area (hectares)	Under Expropriation	Leased	Acquired	
					w/ title to EDC	Title for Consolidation
Fort Bonifacio	4	0.58	None	None	1	3
Baguio	1	0.26	None	None	1	None
Bacon-Manito Geothermal Project	32	12.23	None	None	13	19
Northern Negros Geothermal Project	151	105.16	19	119	12	1
Southern Negros Geothermal Project	60	98.66	3	12	None	45
Leyte Geothermal Project	92	192.93	11	9	23	49
Burgos Wind Project	2,096	689	1,952	144	None	None
Total	**2,436**	**1,098.82**	**1,985**	**284**	**50**	**117**

None of the properties owned by EDC is subject to any mortgage, lien, encumbrance, or limitation on ownership and usage.

For lots whose titles are still in the name of the registered/previous owners, EDC engaged the services of local lawyers in Ormoc City and Dumaguete City for the judicial titling applications with the Regional Trial Courts of Ormoc City and Valencia, Negros Oriental.

For its leased properties, majority of EDC's lease agreements cover properties located in its Burgos Wind Project and commonly have a lease term of 25 years. In general, the leased properties in the Burgos Wind Project will be used for the wind farm area, transmission tower sites, and sailover areas.

The lease payments for the long term leases are usually paid in full to cover the duration of the contract.

Other geothermal sites that have existing lease agreements generally have a mid-term lease and are used for warehouses, access roads and drilling pads where the need to use the property is immediate, temporary, but renewable. Lease payments are usually paid in full for the whole duration of the contract at the start of the lease term. Transmission line lease agreements are

perpetual in nature and are always paid in full.

The following table provides details on EDC's leased properties:

Location/Project	Parcels of land	Structures	Duration of lease	Payment Terms	Lease Amount (in Php millions)	Renewal options
Northern Negros Geothermal Project	119	Transmission Lines and Towers	Perpetual	One time	0.27	NA
Southern Negros Geothermal Project	12	Pipelines, Drilling Pads and Access Roads	5 years	Annual	0.30	Renewable
Leyte Geothermal Project	9	Drilling Pads, Parking Area	25 years	One Time	1.37	First option to buy
Mindanao Geothermal Project	1	Warehouse	5 years	One Time	0.04	Renewable
Metro Manila	2	Warehouse / Laboratory	7 years	Annual	8.10	Renewable, with first option to buy
Burgos Wind Project	144	Wind farm area / Transmission Lines and Towers	25 years	One Time	363.41	Renewable, with first option to buy
Total	**287**				**373.49**	

First Gen Hydro Power Corporation
The rehabilitated and upgraded Pantabangan Hydroelectric Power Plant (PHEP – now 120 MW) is located at the foot of the Pantabangan dam and consists of 2 generators, each of which is now capable of generating full load power of 60 MW at 90% power factor. Each generator is coupled to a vertical shaft Francis turbine that converts the kinetic energy of the water from the dam to 70,000 mechanical horsepower.

The electric power output of PHEP is delivered to the Luzon Grid through a 13.8kV/230kV Ring Bus Switchyard, composed of 2 64 MVA transformers, switching and protective equipment. The 2 transformers were eventually replaced last May 2011 (the 3rd phase of the rehabilitation and upgrade project) with a higher rating of 75 MVA to match the increase in output.

The Masiway Hydroelectric Power Plant (MHEP) is located 7 kms. downstream of PHEP. It uses a 16,800 HP Kaplan turbine to convert the energy of the low head but high flow release of water from the Masiway re-regulating dam to a directly coupled generator that is capable of generating 12 MW of electric power at 90% power factor. The power output of MHEP is delivered to the Luzon Grid through a switchyard mainly composed of a 15 MVA transformer, switching and protective equipment all owned by FG Hydro.

For both PHEP and MHEP, all power components, including penstocks, generators, power houses, turbines and transformers, are owned, maintained and operated by FG Hydro. The amount of water release in the Pantabangan reservoir is based on the Irrigation Diversion Requirement dictated by NIA. NIA operates and maintains the non-power components which include watershed, spillway, intake structure and Pantabangan and Masiway reservoirs.

The net book value of FG Hydro's property, plant and equipment amounted to ₱3,877.4 million. as of December 31, 2014.

Green Core Geothermal, Inc.
Located in Valencia, Negros Oriental, the Palinpinon geothermal power plant consists of 2 power stations, Palinpinon I and II, which are approximately 5 kilometers apart. Commissioned in 1983, Palinpinon I comprises three 37.5–MW steam turbines for a total rated capacity of 112.5 MW. Palinpinon II, on the other hand, consists of 3 modular power plants: Nasuji, Okoy 5 and Sogongon. The 20-MW Nasuji was commissioned in 1993, while the 20-MW Okoy 5 went on stream in 1994. Started in 1995, Sogongon consists of the 20-MW Sogongon 1 and 20-MW Sogongon 2. Situated in Sitio Sambaloran, Barangay Lim-Ao, Kananga, Leyte province in Eastern Visayas, the Tongonan geothermal power plant consists of three 37.5-MW units, which went into commercial operations in 1983. Both plants use steam supplied by EDC.

Bac-Man Geothermal, Inc.
Located in Bacon, Sorsogon City and Manito, Albay in the Bicol region, the BacMan plant package consists of 2 steam plant complexes. The BacMan I geothermal facility comprises two 55-MW turbines, which were both commissioned in 1993. BacMan II, on the other hand, consists of two 20-MW units namely, Cawayan located in Barangay Basud and Botong in Osiao, Sorsogon City. The Cawayan unit was commissioned in 1994 and the Botong unit in 1998. EDC supplies steam to these plants.

Item 3. Legal Proceedings

- **FGPC**
  Deficiency Income Tax
  FGPC was assessed by the BIR on July 19, 2004 for deficiency income tax for taxable years 2001 and 2000. FGPC filed its Protest Letter with the BIR on October 5, 2004. On account of the BIR's failure to act on FGPC's Protest within the prescribed period, FGPC filed with the CTA on June 30, 2005 a Petition against the Final Assessment Notices and Formal Letters of Demand issued by the BIR. On February 20, 2008, the CTA granted FGPC's Motion for Suspension of Collection of Tax until the final resolution of the case.

  In a Decision dated September 25, 2012, the 3rd Division of the CTA granted the Petition and ordered the cancellation and withdrawal of the Final Assessment Notices and Formal Letters of Demand. Subsequently, the BIR filed with the CTA en banc a Petition for Review dated January 16, 2013, to which FGPC filed its Comment in March 2013. The CTA en banc again requested both parties to submit a Memorandum not later than July 6, 2013, which FGPC complied with accordingly.

  On August 14, 2013, the CTA en banc issued a resolution that the case is deemed submitted for decision based on the respective Memorandums. On October 7, 2014, the CTA En Banc denied the Motion for Reconsideration filed by the BIR and affirmed the tax position of FGPC mainly due to the legal infirmities on statutory waiver of prescription and validity of assessment forms issued by the BIR. On December 7, 2014, the BIR filed an appeal with the Supreme Court (SC) within the 30-day extension requested by the BIR. As of March 12, 2015, the case remains pending.

  Real Property Tax
  In June 2003, FGPC received various Notices of Assessment and Tax Bills from the Provincial Government of Batangas, through the Office of the Provincial Assessor, imposing an annual RPT on steel towers, cable/transmission lines and accessories (the T-Line) amounting to $0.2 million (₱12 million) per year. FGPC, claiming exemption from said RPT, appealed the assessment to the Provincial Local Board of Assessment Appeals (LBAA) and filed a Petition in August 2003 praying (1) that the Notices of Assessment and Tax Bills issued by the Provincial Assessor be recalled and revoked; and (2) that the Provincial Assessor drop from the Assessment Roll the 230 kV transmission lines from Sta. Rita to Calaca in accordance with Section 206 of the Local Government Code (LGC). FGPC argued that the T-Line does not constitute real property for RPT purposes, and even assuming that the T-Line is regarded as real property, FGPC is still not liable for RPT as it is NPC/TransCo, a government-owned and controlled corporation (GOCC) engaged in the generation and/or transmission of electric power, which has actual, direct and exclusive use of the T-Line. Pursuant to Section 234 (c) of the LGC, a GOCC engaged in the generation and/or transmission of electric power and which has actual, direct and exclusive use thereof, is exempt from RPT.

  FGPC sought, and was granted, a preliminary injunction by the Regional Trial Court (Branch 7) of Batangas City (RTC) to enjoin the Provincial Treasurer of Batangas City from collecting the RPT pending the decision of the LBAA. Despite the injunction, the LBAA issued an Order requiring FGPC to pay the RPT within 15 days from receipt of the Order. FGPC filed an appeal before the Central Board of Assessment Appeals (CBAA) assailing the validity of the LBAA order. The CBAA in December 2006 set aside the LBAA Order and remanded the case to the LBAA. The LBAA was directed to proceed with the case on the merits without requiring FGPC to first pay the RPT on the questioned assessment. The LBAA case remains pending.

On May 23, 2007, the Province filed with the Court of Appeals (CA) a Petition for Review of the CBAA Resolution. The CA dismissed the petition in June 2007; however, it issued another Resolution in August 2007 reinstating the petition filed by the Province. In a decision dated March 8, 2010, the CA dismissed the petition for lack of jurisdiction.

In connection with the prohibition case pending before the RTC which issued the preliminary injunction, the court issued a Notice of Pre-Trial Conference setting the case for pre-trial hearing in March 2006. In February 2013 FGPC marked its Exhibits. In August 2013 FGPC received a Manifestation and Motion from the Province asking the court to dismiss the case given that the Province is willing to not collect the taxes until the resolution of the LBAA case. The motion was opposed by FGPC and denied by the RTC.

In December 2013 the proceedings were temporarily suspended given the order of the SC to the RTC to transfer the seat of Branch 7. Proceedings were revived in August 2014, during which the Province stated that it was open to enter into a compromise agreement. The next hearing is scheduled on March 26, 2015.

The Province filed a Motion to Dismiss in May 2011, which was denied by the RTC in an Order dated November 2011. The RTC directed FGPC to amend its petition to include the provincial assessor as a party respondent. The Province filed a Motion for Reconsideration of this Order. The RTC denied the motion and required FGPC to implead the provincial assessor in the petition. On November 21, 2012, FGPC filed its Compliance with Amended Petition to implead the Provincial Assessor of Batangas. The Province filed a Manifestation and Motion in July 2013, which was denied by the court in an Order dated September 2013. In an Order dated November 19, 2013, the RTC gave notice that the seat of their Branch 7 will be transferred to the Regional Trial Court of Tanauan City, Batangas, and that hearings on all cases pending before the RTC will be held in abeyance until further notice. No further notices have been received from the Court as of March 12, 2015.

In June 2003, FGPC received various Notices of Assessment and Tax Bills from the Provincial Government of Batangas, through the Office of the Provincial Assessor, imposing an annual real property tax (RPT) on steel towers, cable/transmission lines and accessories (the T-Line) amounting to $0.2 million (₱12 million) per year. FGPC, claiming exemption from said RPT, appealed the assessment to the Provincial Local Board of Assessment Appeals (LBAA) and filed a Petition in August 2003 praying (1) that the Notices of Assessment and Tax Bills issued by the Provincial Assessor be recalled and revoked; and (2) that the Provincial Assessor drop from the Assessment Roll the 230 kV transmission lines from Sta. Rita to Calaca in accordance with Section 206 of the Local Government Code (LGC). FGPC argued that the T-Line does not constitute real property for RPT purposes, and even assuming that the T-Line is regarded as real property, FGPC is still not liable for RPT as it is NPC/TransCo, a government-owned and controlled corporation (GOCC) engaged in the generation and/or transmission of electric power, which has actual, direct and exclusive use of the T-Line. Pursuant to Section 234 (c) of the LGC, a GOCC engaged in the generation and/or transmission of electric power and which has actual, direct and exclusive use thereof, is exempt from RPT.

- **FG Hydro**
  On December 16, 2013, FG Hydro received a Formal Letter of Demand and FAN from the BIR covering the taxable year 2009 for the alleged deficiency income tax and expanded withholding tax, including interest and penalties, totaling to ₱123.6 million. On January 15, 2014 and March 14, 2014, FG Hydro submitted a protest to the FAN and supporting documents, respectively, pursuant to Section 228 of the National Internal Revenue Code. On May 26, 2014, FG Hydro settled the deficiency income tax and expanded withholding tax based on the Final Decision on Disputed Assessment (FDDA) from the BIR with a reduced deficiency income tax and expanded withholding tax, including interest and penalties, totaling to ₱10.6 million.

- **Non-operating subsidiaries**
  On January 30, 2014 and February 10, 2014, certain subsidiaries of the Company received a FDDA from the BIR covering the conglomerate audit for taxable year 2009 for the alleged

deficiency documentary stamp tax on intercompany advances totaling to ₱0.6 million, including interest and penalties. In the said FDDAs, the companies were given thirty (30) days from date of receipt to appeal with the CTA or to the Commissioner of Internal Revenue through request for reconsideration. Subsequently, on March 3, 2014, each subsidiary filed their respective Petitions for Review with the CTA in relation to the FDDAs issued by the BIR against the various subsidiaries of the Company. In June 2014, the said subsidiaries settled the corresponding deficiency documentary stamp tax and filed their respective Motions to Withdraw Petitions which were granted by the CTA in June and July 2014.

- **BPPC Real Property and Franchise Taxes**
  On July 26, 2010, BPPC turned over the Bauang Plant to NPC/PSALM following the expiration of the 15-year Cooperation Period covering the project. Prior to the turnover, there were cases filed against BPPC involving the assessment of RPT and franchise tax by the local government.

  Real Property Tax (RPT)
  While BPPC had recognized a "Provision for real property taxes" in accordance with PAS 37, such provision for RPT and the related receivable from NPC were duly reversed as of December 31, 2010 on the ground that the transfer of the Bauang Plant constitutes full and complete satisfaction of all RPT claims against NPC/PSALM and BPPC.

  Franchise Tax
  BPPC also filed with the RTC of Bauang, La Union a Petition for Certiorari and Prohibition in September 2004 to contest an assessment for franchise tax for the period 2000 to 2003 amounting to $0.7 million (₱33.0 million), including surcharges and penalties. The case was filed on the ground that BPPC is not a public utility which is required by law to obtain a legislative franchise before operating, and is thus not subject to franchise taxes.

  Both NPC and BPPC believe that they are not subject to pay franchise tax to the local government. In any case, BPPC believes that the Project Agreement with NPC allows BPPC to claim indemnity from NPC for any imposition, including franchise tax, incurred by BPPC that was not originally contemplated when it entered into said Project Agreement.

- **Other legal proceedings**

  West Tower Condominium Corporation, et al. vs.
  First Philippine Industrial Corporation, et al.
  G.R. No. 194239, Supreme Court of the Philippines

  On November 15, 2010, a Petition for the Issuance of a Writ of Kalikasan was filed before the SC by the West Tower Condominium Corporation, et al., against respondents First Philippine Industrial Corporation (FPIC), the Company, their respective boards of directors and officers, and John Does and Richard Roes. The petition was filed in connection with the oil leak which is being attributed to a portion of FPIC's white oil pipeline located in Bangkal, Makati City. The oil leak was found in the basement of the West Tower Condominium.

  The petition was brought by the West Tower Condominium Corporation purportedly on behalf of its unit owners and in representation of the inhabitants of Barangay Bangkal, Makati City. The petitioners sought the issuance of a Writ of Kalikasan to protect the constitutional rights of the Filipino people to a balanced and healthful ecology, and prayed that the respondents permanently cease and desist from committing acts of negligence in the performance of their functions as a common carrier; continue to check the structural integrity of the entire 117-km white oil pipeline and replace the same; make periodic reports on findings with regard to the said pipeline and their replacement of the same; be prohibited from opening the white oil pipeline and allowing its use until the same has been thoroughly checked and replaced; rehabilitate and restore the environment, especially Barangay Bangkal and West Tower Condominium, at least to what it was before the signs of the leak became manifest; open a special trust fund to answer for similar contingencies in the future; and be temporarily restrained from operating the said pipeline until final resolution of the case.

On November 19, 2010, the SC issued a Writ of Kalikasan with Temporary Environmental Protection Order (TEPO) directing the respondents to: (i) make a verified return of the Writ within a non-extendible period of ten days from receipt thereof; (ii) cease and desist from operating the pipeline until further orders from the court; (iii) check the structural integrity of the whole span of the pipeline, and in the process apply and implement sufficient measures to prevent and avert any untoward incident that may result from any leak in the pipeline; and (iv) make a report thereon within 60 days from receipt thereof.

The Company and its impleaded directors and officers filed a verified Return in November 2010, and a Compliance in January 2011, explaining that the Company is not the owner and operator of the pipeline, and is not involved in the management, day-to-day operations, maintenance and repair of the pipeline. For this reason, neither the Company nor any of its directors and officers has the capability, control, power or responsibility to do anything in connection with the pipeline, including to cease and desist from operating the same. In January 2011, the SC noted and accepted the Return and Compliance filed by the Company.

In January 2011, FPIC asked the SC to temporarily lift the Writ for the conduct of a pressure-controlled leak test for the entire 117-kilometer white oil pipeline, as recommended by the international technical consultant of the DOE. On November 22, 2011, the SC issued a Resolution ordering the temporary lifting of the TEPO for a period of 48 hours. The DOE and its international technical consultant, SGS Philippines, Inc., supervised the leak test activities which were witnessed by representatives from the University of the Philippines National Institute of Geological Sciences, UP Institute of Civil Engineering, and the parties.

For the purpose of expediting the proceedings and the resolution of all pending incidents, the SC reiterated its order to remand the case to the Court of Appeals to conduct subsequent hearings within a period of 60 days, and after trial, to render a report to be submitted to the SC. The SC also clarified that the black oil pipeline is not included in the Writ with TEPO.

On December 21, 2012, the former 11th Division of the Court of Appeals rendered its Report and Recommendation in which the following recommendations were made to the SC: (i) that certain persons/organizations be allowed to be formally impleaded as petitioners subject to the submission of the appropriate amended petition; (ii) that FPIC be ordered to submit a certification from the DOE that the white oil pipeline is safe for commercial operation; (iii) that the petitioners' prayer for the creation of a special trust fund to answer for similar contingencies in the future be denied for lack of sufficient basis; (iv) that respondent Company not be held solidarily liable under the TEPO; and (v) that without prejudice to the outcome of the civil and criminal cases filed against respondents, the individual directors and officers of FPIC and the Company not be held liable in their individual capacities.

Petitioners filed a Motion for Partial Reconsideration in January 2013, in which they prayed, among others, that the Department of Science and Technology (DOST), specifically its Metal Industry Research and Development Center, be tasked to chair the monitoring of FPIC's compliance with the directives of the court and issue the certification required to prove that the pipeline is safe to operate before commercial operation is resumed; that stakeholders be consulted before a certification is issued; that a trust fund be created to answer for future contingencies; and that the Company and the directors and officers of the Company and FPIC also be held liable under the Writ of Kalikasan and the TEPO.

In a Compliance dated January 25, 2013, FPIC submitted to the SC a Certification signed by DOE Secretary Carlos Jericho L. Petilla stating that the black oil pipeline is safe for commercial operation.

In a Resolution dated July 30, 2013, the SC adopted the CA's recommendation that FPIC secure a DOE certification stating that the pipeline is already safe for commercial operation before the white oil pipeline may resume its operations.

FPIC filed an application for DOE's issuance of the required certification, and on October 25, 2013 the DOE issued a certification that the white oil pipeline is safe to return to commercial operations. FPIC submitted the DOE certification to the SC on October 29, 2013. As of March 12, 2015, the final resolution of the Writ remains pending with the SC.

West Tower Condominium Corporation, et al. vs.
First Philippine Industrial Corporation, et al.
Civil Case No. 11-256, Regional Trial Court, Makati Branch 58

On March 24, 2011, a civil case for damages was filed by the West Tower Condominium Corporation and some residents of the West Tower Condominium against FPIC, the FPIC directors and officers, the Company, Pilipinas Shell Petroleum Corporation, and Chevron Philippines, Inc. before the Makati City RTC. In their complaint, the Plaintiffs alleged that FPIC, its directors and officers, and the Company violated Republic Act No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), RA 8749 (Philippine Clean Air Act of 1999) and Its Implementing Rules and Regulations, and RA 9275 (Philippine Clean Water Act of 2004). The complaint sought payment by the Defendants of actual damages comprising incurred rentals for alternative dwellings, incurred additional transportation and gasoline expenses and deprived rental income; recompense for diminished or lost property values to enable the buying of new homes; incurred expenses in dealing with the emergency; moral damages; exemplary damages; a medical fund; and attorney's fees.

First Gen filed its Answer in May 2011, in which it was argued that the case is not an environmental case under the Rules of Procedure for Environmental Cases, but an ordinary civil case for damages under the Rules of Court for which the appropriate filing fees should be paid before the court can acquire jurisdiction thereof. In an Order dated August 22, 2011, Makati City RTC (Branch 158) Judge Eugene Paras ruled that the complaint is an ordinary civil action for damages and that the Plaintiff should pay the appropriate filing fees in accordance with the Rules of Court within 10 days from receipt of the Order. The other individual plaintiffs were ordered dropped as parties in the case. The Plaintiffs filed a Motion to Inhibit Judge Paras as well as a Motion for Reconsideration of the Order. In an Order dated October 17, 2011, the court reiterated that it has no jurisdiction over the case and ordered the referral of the case to the Executive Judge for re-raffle.

In an Order dated December 1, 2011, Judge Elpidio Calis of the Makati City RTC (Branch 133) declared that the records of the case have been transferred to his court. In an Order dated March 29, 2012, Judge Calis denied the plaintiffs' Motion for Reconsideration for lack of merit, and ordered the plaintiffs to pay the appropriate filing fees within ten (10) days from receipt of the Order, with a warning that non-compliance will constrain the court to dismiss the case for lack of jurisdiction. Instead of paying the filing fees, the plaintiffs filed a Petition for Certiorari with the CA to nullify the order of Branch 133.

In a resolution dated June 30, 2014, the CA denied the petition of West Tower and affirmed the trial court's recognition of the case as being an ordinary action for damages. The CA, however, also ruled that the individual residents who joined West Tower in the civil case need not file separate cases, but instead can be joined as parties in the present case. West Tower and FPIC each filed a motion for partial reconsideration, with West Tower arguing that the case is an ordinary action for damages, and FPIC assailing the ruling that the individual residents can be joined as parties in the present case. Both motions were denied in a CA resolution dated December 11, 2014. On February 20, 2015, FPIC filed before the SC a Petition for Review of the CA's denial of its Motion for Partial Reconsideration. As of March 12, 2015, the case remains pending.

West Tower Condominium Corporation vs. Leonides Garde, et al.
NPS No. XV-05-INQ-11J- 02709
Office of the City Prosecutor
Makati City

This is a criminal complaint for negligence under Article 365 of the Revised Penal Code against FPIC directors and some of its officers, as well as directors of the Company, Pilipinas Shell Petroleum Corporation and Chevron Philippines, Inc.

On December 14, 2011, a Counter-Affidavit with Verified Manifestation was filed by Francis Giles B. Puno, Director, President and Chief Operating Officer of the Company and one of the Respondents. The other Respondent-Directors of the Company verified the Verified

Manifestation and adopted the factual allegations and defenses in the Counter-Affidavit of Respondent Puno.

Makati City Prosecutor Feliciano Aspi *motu proprio* (on his own) inhibited himself from the case on the ground that he had previously worked for the counsel of the Company. Complainant then filed with the Department of Justice (DOJ) a petition for change of venue, which petition was granted by way of Department Order No. 63 dated January 18, 2012, which designated Manila Senior Assistant City Prosecutor Raymunda Apolo as special investigating prosecutor for the case.

In an Order dated February 3, 2012, Makati City Prosecutor Aspi ordered the consolidation of the case with another case entitled Anthony M. Mabasa et al. vs. Roberto B. Dimayuga et al. for violation of Article 183 of the Revised Penal Code. The Order stated that the consolidation is being made upon the recommendation of Makati City Assistant Prosecutor Ma. Agnes Alibanto.

On February 17, 2012, Respondent-Directors of the Company filed a Motion for Reconsideration of the Order dated January 18, 2012 which granted Complainant's petition for a change of venue. As of March 12, 2015, the case remains pending.

Bayan Muna Representatives, et al. vs. ERC and Meralco (G.R. No. 210245)
NASECORE, et al. vs. Meralco, ERC and DOE (G.R. No. 210255)
Meralco vs. Philippine Electricity Market Corporation (PEMC), et al (G.R. No. 210502)
Supreme Court
Manila

In these cases the Supreme Court (SC) issued separate Temporary Restraining Orders (TROs) restraining Meralco from increasing the generation charge rate it charges to its consumers during the November 2013 billing period, and similarly restraining PEMC and other generation companies, including certain subsidiaries of First Gen, namely, FGPC, FGP, FG Hydro, BGI, and BEDC, from demanding and collecting from Meralco the deferred amounts representing the costs raised by the latter. The TROs will remain effective until April 22, 2014, unless renewed or lifted ahead of such date.

On February 26, 2014, FGPC, FGP, FG Hydro, BGI and BEDC filed with the SC a Memorandum with Motion to Lift TRO. It is First Gen Group's position that its right to the payment of the generation charges owed by Meralco is neither dependent nor conditional upon Meralco's right to collect the same from its consumers. In the case of FGPC and FGP, Meralco's obligation to pay is contractual and thus governed by the terms and conditions of their respective PPAs. Ultimately, Meralco is bound to comply with its contractual obligations to FGPC and FGP, whether via the pass-through mechanism or some other means. On April 22, 2014, the subject TRO was extended indefinitely and until further orders from the SC.

- **EDC**

Expropriation Proceedings

Several expropriation proceedings filed by the Republic of the Philippines, through the Department of Energy, and PNOC to acquire lands needed by EDC for its power plants and projects are still pending before various Philippine courts, in particular, with respect to the land requirements of the Leyte Geothermal Production Field, the Southern Negros Geothermal Production Field, Northern Negros Geothermal Project and the Burgos Wind Project. EDC will pay the fair market value of the properties as determined by said courts. By the end of 2014, a total of some 1,592 such cases had been filed before the proper courts. To date, the Republic of the Philippines and the PNOC's authority to expropriate land for EDC's use and EDC's possession of the land expropriated has not been questioned in the pending expropriation proceedings. The common issue in these cases is the amount of compensation to be paid to the owners of expropriated lands.

Tax Cases

- *Real Property Taxes*
  From 2009 to 2014, EDC paid under protest (and for refund) real property taxes ("RPT") in excess of the preferential RPT rate of 1.5% under Section 15 (c) of Republic Act No.

9513 or the Renewable Energy Act of 2008 ("RE Law") in the total amount of ₱197.33 million. This includes RPT payment under protest to (and for refund from): (i) the City of Ormoc in the total amount of ₱108.31 million; (ii) Province of Leyte in the total amount of ₱59.39 million; (iii) City of Kidapawan in the total amount of ₱13.96 million; and (iv) the City of Bago in the total amount of ₱14.76 million; and (v) Province of Negros Occidental in the total amount of ₱0.91 million. The foregoing protests have been appealed to the respective LBAAs having jurisdiction over the said cities and provinces and these appeals are still pending with the LBAA as of December 31, 2014.

As of December 31, 2014, EDC's subsidiaries, namely BGI and GCGI have also paid under protest (and for refund) RPT payments mainly for being in excess of the 1.5% preferential RPT rate under the RE Act totaling ₱61.12 million. Of this amount, BGI has RPT paid under protest to (and for refund from): (i) the City of Sorsogon in the total amount of ₱3.92 million and to the Province of Albay in the total amount of ₱7.27 million; while GCGI has paid RPT under protest to (and for refund from): (i) the Province of Leyte in the total amount of ₱12.44 million; and (ii) the Province of Negros Oriental in the total amount of ₱19.67 million. These protests have been appealed to the respective LBAA having jurisdiction over the said city and provinces and these appeals are still pending with the LBAA as of December 31, 2014, except for the ₱17.82 million appeal by GCGI in the Province of Negros Oriental which is now pending with the CBAA.

EDC and GCGI also have several appeals pending with the LBAA in relation to assessments or claims for exemption of certain real properties, including machineries and equipment for pollution control or environmental protection, which are exempt from RPT. For EDC, assessments or claims for exemption on certain real properties located in the Province of Leyte and the Cities of Sorsogon and Kidapawan were appealed and are still pending with the LBAA as of December 31, 2014. On the other hand, GCGI's Palinpinon I power plant assets located in Valencia, Negros Oriental, were issued an assessment which have been appealed to and is now pending before the LBAA as of December 31, 2014.

- *Franchise Taxes*
  The Province of Leyte assessed EDC an aggregate of ₱310.6 million in franchise taxes in respect of the operations from 2000-2004, 2006 and 2007 of its geothermal power plants in the Province. EDC seasonably filed the corresponding appeals before the Regional Trial Court (RTC) of Tacloban City, Leyte, for the annulment of the assessments. The said cases have been docketed as Consolidated Civil Cases No. 2006-07-77, 2006-05-49, 2006-05-48 and 2007-08-03, and 2008-05-537 captioned PNOC EDC vs. province of Leyte, et. al (the "Consolidated Cases").

  In December 2008, EDC received a Consolidated Notice of Assessment and Demand for Payment from the Province of Leyte, demanding from EDC the payment of franchise tax in the amount of P443.7 million. This assessment cancelled previous assessments since the new assessment covers the period starting 1998 until 2006. The matter is currently under appeal before the Regional Trial Court of Tacloban City, Leyte, docketed as Civil Case No. 2009-04-46, captioned EDC vs. Province of Leyte, et al.

  In relation to the Consolidated Cases, there is a pending case in the Supreme Court docketed as SC G.R. No. 203124 regarding EDC's motion for the issuance of a Writ of Preliminary Injunction restraining the Province from levying and collecting franchises taxes from EDC. EDC believes that it is not liable for franchise tax since it is not a holder of any legislative franchise, local or national, nor is one required for its operations or business.

- *Input Value Added Tax*
  On April 24, 2009 and December 29, 2009, EDC filed Petitions for Review with the CTA with respect to its un-acted claim from the BIR for tax credit on input value added tax relating to EDC's zero-rated sales for 2007 and 2008, respectively. The aggregate claim amounts to ₱298.28 million. These cases are entitled Energy Development Corporation (Formerly PNOC Energy Development Corporation) vs. Commissioner of Internal Revenue and have been docketed as CTA Case No. 7926 and 8019, respectively. EDC believes that its sales are zero-rated pursuant to the provisions of EPIRA and the

provisions of the National Internal Revenue Code, as amended. For the 2007 input VAT claim, the same has been appealed up to the Supreme Court where it is still pending as of December 31, 2014. On the other hand, the 2008 input VAT claim is on motion for reconsideration with the CTA En Banc where it is still pending as of December 31, 2014.

Civil Cases
As of December 31, 2014, there are 21 civil cases to which EDC is a party. Although the aggregate monetary claims in these cases amount to approximately ₱20.8 million, EDC does not believe that an adverse result in any one case pose a material risk to its operations.

Labor Cases
As of December 31, 2014, there were 9 pending labor cases against EDC, most of which deal with plaintiffs' claims of illegal dismissal and backwages. Although the aggregate monetary claims in these cases amount to approximately ₱37.6 million, EDC does not believe that any one case poses a material risk to the its operations.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

First Gen was incorporated in the Philippines on December 22, 1998. First Gen and its operating subsidiaries FGPC (Santa Rita power plant), FGP (San Lorenzo power plant), FG Bukidnon (Agusan power plant), FG Hydro (Pantabangan-Masiway power facility) and EDC are involved in power generation. EDC is also involved in steam generation. All its subsidiaries are incorporated in the Philippines. 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 also directly holds a 40% interest.

MARKET INFORMATION

First Gen's common shares were listed with the Philippine Stock Exchange, Inc. on February 10, 2006. The high and low stock prices for 2013, 2014, and the 1st quarter of 2015 (as of March 12, 2015) are indicated below:

	High	Low
2015		
1Q (as of March 12, 2015)	31.80	25.40
2014		
4Q	27.55	23.85
3Q	27.10	20.20
2Q	23.30	18.06
1Q	20.00	13.14
2013		
4Q	16.90	12.20
3Q	19.34	15.50
2Q	25.25	15.70
1Q	27.45	22.15

The closing price of First Gen's common shares as of March 12, 2015 was ₱29.50 per share.

As of March 12, 2015, First Gen's public float is at 32.62%, computed as follows:

$$\frac{\text{Total Shares Owned by the Public}}{\text{Total Issued and Outstanding Shares}} \times 100$$

$$\frac{1,194,153,166}{3,660,943,557} \times 100 = \textbf{32.62\%}$$

As of March 12, 2015, there were 352 common stockholders of record and 3,660,943,557 common shares issued and outstanding.

Following are the top 20 stockholders of First Gen as of March 12, 2015:

Common Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	2,424,990,159	66.239485%
2	PCD NOMINEE CORPORATION (FILIPINO)	685,776,772	18.732241%
3	PCD NOMINEE CORPORATION (FOREIGN)	504,437,823	13.778902%
4	F. YAP SECURITIES, INC.	13,500,000	0.368757%
5	GARRUCHO JR., PETER D.	6,787,004	0.185389%
6	LOPEZ, FEDERICO R.	5,569,511	0.152133%
7	LOPEZ, OSCAR M.	5,461,226	0.149175%
8	PUNO, FRANCIS GILES B.	1,800,001	0.049168%
9	TANTOCO, RICHARD B.	1,768,681	0.048312%
10	PUNO,FRANCIS GILES B.,&/OR MA. PATRICIA D. PUNO	1,105,800	0.030205%
11	DE GUIA, ARTHUR A.	1,052,160	0.028740%
12	CROSLO HOLDINGS CORPORATION	741,584	0.020257%
13	MANUEL SANTIAGO &/OR ELLA SANTIAGO	600,000	0.016389%
14	PACITA KING YAP &/OR PHILIP KING YAP	530,000	0.014477%
15	ARLENE TAN &/OR PAUL K. YAP, JR.	500,000	0.013658%
16	GO,REGINA PIA BANAL	500,000	0.013658%
17	VASAY, NESTOR H.	450,000	0.012292%
18	TAN,LOZANO A.	300,000	0.008195%
19	LOPEZ, MONINA D.	264,738	0.007231%
20	AGUILAR, CESAR G.	248,490	0.006788%
TOTAL SHARES (TOP 20)		**3,656,383,949**	**99.875453%**
TOTAL SHARES (REST OF STOCKHOLDERS)		4,559,608	0.124547%
TOTAL ISSUED AND OUTSTANDING SHARES		**3,660,943,557**	**100.000000%**

Series “B” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	1,000,000,000	100.000000%
TOTAL ISSUED AND OUTSTANDING SHARES		**1,000,000,000**	**100.000000%**

Series “E” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	468,553,892	100.000000%
TOTAL ISSUED AND OUTSTANDING SHARES		**468,553,892**	**100.000000%**

Series “F” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	52,434,000	52.434000%
2	PCD NOMINEE CORPORATION (FILIPINO)	45,125,000	45.125000%
3	KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILS.	1,000,000	1.000000%
4	EUGENIO LOPEZ FOUNDATION, INC.	500,000	0.500000%
5	FIRST PHILIPPINE HOLDINGS CORPORATION PENSION FUND	500,000	0.500000%
6	CROSLO HOLDINGS CORPORATION	200,000	0.200000%
7	PERLA RAYOS DEL SOL CATAHAN &/OR ROBERTO BUENAVIDEZ CATAHAN	50,000	0.050000%
8	GERTES,JOVITO VICTORINO	30,000	0.030000%

9	WIENEKE,MARIANELA ALDEGUER	30,000	0.030000%
10	EMELITA DE LEON SABELLA &/OR RONALDO CUSTODIO SABELLA	20,000	0.020000%
11	LIBORO,BENJAMIN KALUAG	20,000	0.020000%
12	MABASA,ANTHONY MILITAR	20,000	0.020000%
13	BRIGIDA QUINTOS PAGDAGDAGAN &/OR RAMON TAGARDA PAGDAGDAGAN	10,000	0.010000%
14	FADRI,ARDEL LABRADOR	10,000	0.010000%
15	FADRI,MILAGROS DELA VEGA	10,000	0.010000%
16	LEONIDES ULIT GARDE &/OR MARIA SALUD DE SANTOS GARDE &/OR LIANA ALEXANDRA DE SANTOS GARDE	10,000	0.010000%
17	MARTINEZ,VICTORIA A.	10,000	0.010000%
18	RICARDO BATISTA YATCO &/OR CYNTHIA ACOSTA YATCO	10,000	0.010000%
19	RICARDO BATISTA YATCO &/OR GERARDO BATISTA YATCO	10,000	0.010000%
20	PCD NOMINEE CORPORATION (FOREIGN)	1,000	0.001000%
TOTAL ISSUED AND OUTSTANDING SHARES		**100,000,000**	**100.000000%**

Series “G” Preferred Shares

Rank	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	81,303,050	60.787327%
2	FIRST PHILIPPINE HOLDINGS CORPORATION	50,296,450	37.604822%
3	LOPEZ, INC.	500,000	0.373832%
4	FIRST PHILIPPINE HOLDINGS CORPORATION PENSION FUND	300,000	0.224299%
5	CROSLO HOLDINGS CORPORATION	200,000	0.149533%
6	EUGENIO LOPEZ FOUNDATION, INC.	200,000	0.149533%
7	PCD NOMINEE CORPORATION (FOREIGN)	142,700	0.106692%
8	CATAHAN,PERLA R.,&/OR ROBERTO B. CATAHAN	100,000	0.074766%
9	LOPEZ,OSCAR M.,&/OR CONSUELO R. LOPEZ	100,000	0.074766%
10	ALEXANDER TAN SOLIS &/OR GINA TAN SINFUEGO	50,000	0.037383%
11	DE LA PAZ,PANFILO P.	50,000	0.037383%
12	G. D. TAN & CO., INC.	40,000	0.029907%
13	CLEMENTE, III,ENRIQUE C.	30,000	0.022430%
14	MARIANELA A. WIENEKE &/OR JORGE NOEL Y. WIENEKE	30,000	0.022430%
15	LACSON,SYLVIA F.	27,000	0.020187%
16	LORAYES,ANGELES Z.	25,000	0.018692%
17	WIENEKE,MARIANELA ALDEGUER	25,000	0.018692%
18	TEH,ALFONSO SY	22,000	0.016449%
19	ESGUERRA,ALMIRA JAZMIN P.	20,000	0.014953%
20	FRAGANTE,MARGARITA B.	20,000	0.014953%
TOTAL SHARES (TOP 20)		**133,481,200**	**99.799028%**
TOTAL SHARES (REST OF STOCKHOLDERS)		268,800	0.200972%
TOTAL ISSUED AND OUTSTANDING SHARES		**133,750,000**	**100.000000%**

DIVIDENDS

First Gen has a dividend policy to declare, subject to certain conditions, an annual cash dividend on its common shares equivalent to 30% of the prior year's recurring net income. Any such declaration of cash dividend is conditional upon the recommendation of the board of directors, after taking into consideration factors such as, but not limited to, debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves, and working capital. Further, the declaration of a cash dividend is subject to the preferential dividend rights of the voting preferred shares and perpetual preferred shares. This dividend policy may be revised by the board of directors for whatever reason it deems necessary, reasonable, or convenient.

On August 15, 2007, the board of directors declared a cash dividend in the amount of: (i) ₱2.50 per share on all outstanding common shares in favor of stockholders of record as of September 7, 2007, with payment date of September 14, 2007; and (ii) ₱0.05 per share on all outstanding preferred shares in favor of stockholders of record as of September 7, 2007, with payment date of September 13, 2007.

On March 30, 2009, the board of directors of First Gen approved the declaration of a 50% stock dividend on First Gen's common shares to be taken from unissued common shares, and a 50% property dividend on First Gen's preferred shares to be taken from treasury preferred shares.

The Philippine SEC approved on August 27, 2009 the issuance of $8.4 million (₱405.0 million) common shares consisting of 405,000,000 common shares with a par value of ₱1.00 per share, to cover the stock dividends declared by the board of directors on March 30, 2009 and ratified by the company's stockholders representing at least two-thirds (2/3) of the outstanding capital stock on May 13, 2009. Record and payment dates of the common stock dividends were set at September 11, 2009 and October 7, 2009, respectively. The Philippine SEC's approval was pursuant to the Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock or Cash Dividends of Corporations whose securities are registered under the SRC or listed in the PSE.

On September 23, 2009, the Philippine SEC approved First Gen's declaration of a 50% property dividend consisting of 177,619,000 preferred shares, to be taken from treasury preferred shares and amounting to $7.6 million (₱680.3 million), in favor of First Gen's preferred stockholder of record as of May 13, 2009.

On October 5, 2009, the board of directors of First Gen approved the declaration of a property dividend on First Gen's preferred shares to be taken from the remaining 467,143,000 treasury preferred shares, and a stock dividend of 375,000,000 million Series "E" preferred shares to be taken from First Gen's unrestricted retained earnings. The board of directors likewise approved the reduction in the dividend rate of Series "A" to "D" preferred shares from ₱0.05 to ₱0.02 per share. The above matters were approved by the stockholders during the special stockholders' meeting held on November 20, 2009, and by the Philippine SEC on November 26, 2009. The property dividends were taken from the remaining 467,143,000 preferred shares held in treasury amounting to $20.0 million (₱1,787.1 million), and paid to First Gen's preferred stockholder of record as of November 20, 2009.

On December 7, 2009, the Philippine SEC approved First Gen's declaration of stock dividends consisting of 375,000,000 Series "E" preferred shares amounting to $4.0 million (₱187.5 million) in favor of the preferred stockholder of record as of December 7, 2009.

On March 8, 2010 and May 12, 2010, First Gen's board of directors and stockholders, respectively, approved the declaration of a stock dividend on Series "E" preferred shares consisting of 93,553,892 shares to be taken from the company's unrestricted retained earnings. On June 2, 2010, First Gen submitted to the Philippine SEC a notice of declaration of stock dividend on Series "E" preferred stocks.

On January 26, 2011, the board of directors approved the declaration of cumulative cash dividends on the Series "B" preferred shares amounting to $1.8 million (₱77.8 million) to be taken from the company's unrestricted retained earnings. The cash dividends have a record date of

February 9, 2011 and a payment date of March 7, 2011. In the same meeting, the board of directors approved the dividend rate of Series "E" preferred shares at ₱0.01 per share.

On July 5, 2011, the board of directors of First Gen approved the declaration of cash dividends of ₱0.01 a share amounting to $0.1 million (₱4.7million) to First Gen's Series "E" Preferred stockholders of record as of July 19, 2011 and the cash payment date of July 25, 2011.

On December 15, 2011, the board of directors of First Gen approved the declaration of cash dividends on its preferred shares as follows:

- For all outstanding Series "B" preferred shares, cash dividends of two centavos (₱0.02) a share with record date of January 6, 2012 and payment date of January 25, 2012;
- For all outstanding Series "E" preferred shares, cash dividends of one centavo (₱0.01) a share with record date of January 6, 2012 and payment date of January 25, 2012; and,
- For all outstanding Series "F" perpetual preferred shares, cash dividends of four pesos (₱4.00) a share with record date of January 6, 2012 and payment date of January 25, 2012. The Series "F" preferred shares have a coupon rate of 8% and are entitled to receive dividends on a semi-annual basis.

The total cash dividends on preferred shares declared above totaling to $9.7 million (₱424.7 million) was paid on January 25, 2012.

On March 13, 2012, the Philippine SEC approved an increase in First Gen's authorized capital stock from ₱7,250 million to ₱8,600 million by way of the creation of 135 million Series "G" perpetual preferred shares with a par value of ₱10.00 per share. Of the increase of ₱1,350 million, the amount of ₱337,500,000.00 consisting of 33,750,000 Series "G" preferred shares, representing at least 25% of the increase, was subscribed and paid in full by FPH in support of First Gen's application to increase its authorized capital stock.

On May 18, 2012, First Gen issued and listed with the PSE 100 million Series "G" preferred shares which are cumulative, non-voting, non-participating, non-convertible and peso-denominated. The shares were issued via follow-on offering at an issue price of ₱100.00 each. Under the terms of the Deed Poll covering the said shares, the dividend rate of the Series "G" perpetual preferred shares is 7.7808% per annum, and is payable, as and when declared by the Company's board of directors, every January 25 and July 25.

Thereafter, on May 25, 2012, FPH made an additional investment in First Gen in the amount of ₱1,800 million by paying the difference between the issue price it previously paid or ₱10.00 per share, and the issue price for the publicly-offered shares of ₱100.00 per share, on 20 million of the 33,750,000 Series "G" preferred shares held by it. This additional investment enabled FPH's 20 million Series "G" preferred shares to enjoy the same rights and benefits as the holders of the 100 million Series "G" preferred shares offered to the public, including the dividend rate of 7.7808% per annum.

On June 15, 2012, the board of directors of First Gen approved the declaration of cash dividends on its perpetual preferred shares as follows:

- ₱4.00 per share or 8.0% per share per annum on the 100 million Series "F" preferred shares;
- ₱1.47 per share or 7.7808% per share per annum on the 100 million Series "G" preferred shares subject of the follow-on offering on May 18, 2012; and
- ₱1.45 per share on the 120 million Series "G" preferred shares owned by FPH, broken down as follows: (i) ₱1.32 per share or 7.7808% per share per annum on the 20 million Series "G" preferred shares topped-up by FPHC on May 25, 2012; and (ii) ₱0.13 per share or 3.27% per share per annum on the 33,750,000 Series "G" preferred shares paid for by FPH on February 27, 2012.

The above cash dividends have a record date of June 29, 2012 and a payment date of July 25, 2012.

On November 21, 2012, First Gen directors approved the declaration of 2013 cash dividends on its preferred shares as follows:

- ₱0.02 per share on all outstanding Series "B" preferred shares;
- ₱0.01 per share on all outstanding Series "E" preferred shares;
- ₱4.00 per share on all outstanding Series "F" preferred shares;
- ₱3.8904 per share on 120 million Series "G" preferred shares, consisting of 100 million Series "G" shares issued by way of follow-on offering in May 2012 plus 20 million Series "G" shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series "G" preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of January 2, 2013 and a payment date of January 25, 2013.

On June 19, 2013, the directors approved the declaration of cash dividends on its perpetual preferred shares as follows:

- ₱4.00 per share or 8.0% per share per annum on the 100 million Series "F" preferred shares;
- ₱3.8904 per share or 7.7808% per share per annum on the 120 million Series "G" preferred shares, consisting of 100 million Series "G" preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series "G" preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series "G" preferred shares issued to FPH by way of private placement

The above cash dividends have a record date of July 3, 2013 and a payment date of July 25, 2013.

On July 10, 2013, the directors of First Gen approved the declaration of cash dividends on its issued and outstanding common shares at the rate of ₱0.50 per share. The cash dividends have a record date of July 25, 2013 and a payment date of August 19, 2013.

On November 21, 2013, the board of directors approved the declaration of 2014 cash dividends on its preferred shares as follows:

- ₱0.02 per share on all outstanding Series "B" preferred shares;
- ₱0.01 per share on all outstanding Series "E" preferred shares;
- ₱4.00 per share on all outstanding Series "F" preferred shares;
- ₱3.8904 per share on 120 million Series "G" preferred shares, consisting of 100 million Series "G" preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series "G" preferred shares topped-up by FPH
- ₱0.38904 per share on the 13,750,000 Series "G" preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of January 2, 2014 and a payment date of January 27, 2014.

On June 16, 2014, the board of directors approved the declaration of cash dividends on its preferred shares as follows:

- ₱4.00 per share or 8.0% per share per annum on the 100 million Series "F" preferred shares;
- ₱3.8904 per share or 7.7808% per share per annum on the 120 million Series "G" preferred shares, consisting of 100 million Series "G" preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series "G" preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series "G" preferred shares issued to FPH by way of private placement

The above cash dividends have a record date of July 1, 2014 and a payment date of July 25, 2014.

On October 1, 2014, the BOD of the 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 November 13, 2014, the board of directors approved the declaration of 2015 cash dividends on its preferred shares as follows:

- ₱0.02 per share on all outstanding Series "B" preferred shares;
- ₱0.01 per share on all outstanding Series "E" preferred shares;
- ₱4.00 per share on all outstanding Series "F" preferred shares;
- ₱3.8904 per share on 120 million Series "G" preferred shares, consisting of 100 million Series "G" preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series "G" preferred shares topped-up by FPH
- ₱0.38904 per share on the 13,750,000 Series "G" preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of January 5, 2015 and a payment date of January 26, 2015.

SALE OF UNREGISTERED / EXEMPT SECURITIES

Executive Stock Option Plan. The aggregate number of common shares that may be subject to, and issued under, awards granted pursuant to the Executive Stock Option Plan (ESOP) shall not at any time exceed 4% of the total issued and outstanding common shares as of any option grant date. Options under the ESOP vest within a 5-year period, beginning from the date of acceptance of the option and ending on the day exactly 5 years from the applicable option grant date.

Under the July 1, 2003 option grant date, a total of 452,285 common shares of First Gen's unissued common shares were reserved for the ESOP. In Resolution No. 445 dated August 29, 2002, the Philippine SEC held that First Gen's issuance of 452,285 shares of stock pursuant to its ESOP is exempt from the registration requirements under Section 10.2 of the Securities Regulation Code (SRC).

By virtue of the common shares split and common shares dividends declared and approved by the board of directors and stockholders on April 4, 2005, the number of options and price per share were adjusted automatically in accordance with the terms of the ESOP. Accordingly, the number of common shares reserved for the ESOP was adjusted from 452,285 to 18,091,400 and the exercise price of ₱528.00 per share was adjusted to ₱13.20 per share. As a result of the said restructuring, the Philippine SEC set aside Resolution No. 445 and issued on November 29, 2005 Resolution No. 372 to reflect adjustments in the number of allocated shares from 452,285 to 18,091,400 and subscription price from ₱528.00 to ₱13.20.

Of the 18,091,400 common shares allocated for the ESOP, 15,856,800 common shares were granted under the July 1, 2003 option grant date.

On August 27, 2009, the Philippine SEC approved a 50% stock dividend on common shares, and further adjustments were made on the number of unexercised common shares and subscription price per share. As there were 4,343,072 unexercised shares at that time, the stock dividend added 50% thereto, or 2,171,536 shares, bringing the total number of unexercised shares to 6,514,608. On the other hand, the subscription price per share was reduced from ₱13.20 to ₱8.80. In Resolution No. 010 dated January 11, 2010, the Philippine SEC confirmed the continuing exemption of the ESOP shares from the registration requirements of the SRC.

Under the ESOP, the Option Expiration Date is July 1, 2013. As of the Option Expiration Date, there were 73,638 unexercised shares, which shares are now deemed forfeited in accordance with the terms of the ESOP.

Following the Option Expiration Date, no other grants or exercises will be made under the ESOP.

Employee Stock Purchase Plan. The SEC, in Resolution No. 272 dated August 30, 2005, held that First Gen's issuance of 113,071 shares of stock pursuant to its Employee Stock Purchase Plan (ESPP) is exempt from the registration requirements under Section 10.2 of the SRC. No award or issuance of shares under the ESPP has been granted to any employee to date.

Item 6. Management's Discussion and Analysis or Plan of Operation.

The Management Report is hereto attached as ***Exhibit "A"***.

Item 7. Financial Statements

The Company's audited consolidated financial statements for the years ended December 31, 2014 and 2013 are hereto attached as ***Exhibit "B"***.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

SyCip Gorres Velayo & Co. (SGV) has acted as the Corporation's external auditors since its incorporation in December 1998. SGV is in compliance with Rule 68, paragraph 3(b)(iv) of the SRC which requires the rotation of the handling partner every 5 consecutive years. The engagement partner who conducted the audit for calendar year 2014 is Mr. Ladislao Z. Avila. He replaced Mr. Martin C. Guantes, who was the handling partner from 2009-2012.

For the past 5 years, the Corporation has not had any disagreements with SGV on accounting principles and practices, financial statement disclosures, or auditing scope or procedures.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

First Gen's amended articles of incorporation provide for 9 seats in the board of directors. The corporation is required to have at least 2 independent directors or such independent directors as shall constitute at least 20% of the members of such board, whichever is lesser, pursuant to the requirements of Section 38 of the Securities Regulation Code. The directors serve for a period of 1 year and until their successors shall have been duly elected and qualified.

In meetings held by the corporation's board of directors and stockholders in August 2005, the corporation's by-laws were amended to provide for the nomination and election of independent directors. The Philippine SEC approved the amended by-laws in December 2005.

The following members of the board of directors were elected by the stockholders during the Annual General Meeting held on May 12, 2014:

Director	Nationality	Position	Age	Year Position was Assumed
Oscar M. Lopez	Filipino	Chairman Emeritus	85	1998
Federico R. Lopez	Filipino	Chairman	53	1998
Francis Giles B. Puno	Filipino	Director	50	2005
Richard B. Tantoco	Filipino	Director	48	2005
Peter D. Garrucho Jr.	Filipino	Director	71	1998
Elpidio L. Ibañez	Filipino	Director	64	1998
Eugenio L. Lopez III	Filipino	Director	62	2009
Tony Tan Caktiong	Filipino	Independent Director	62	2005
Jaime I. Ayala	Filipino	Independent Director	53	2013

Oscar M. Lopez, born April 19, 1930, Filipino, held the position of Chairman of First Gen from the company's incorporation in December 1998 until January 2010, when the board of directors bestowed upon him the title Chairman Emeritus. He is Chairman Emeritus of publicly-listed companies FPH, EDC, and Rockwell Land Corporation. He sits in the boards of publicly-listed companies Lopez Holdings Corporation (formerly Benpres Holdings Corporation) and ABS-CBN Corporation. Mr. Lopez was conferred the degrees of Doctor of Humanities *honoris causa* by the

De La Salle University and Ateneo de Manila University in 2010, and Doctor of Laws *honoris causa* by the Philippine Women's University (2009) and the University of the Philippines (2012). Mr. Lopez has a master's degree in Public Administration from the Littauer School of Public Administration, Harvard University (1955). Mr. Lopez also earned his Bachelor of Arts degree *(cum laude)* from Harvard University (1951).

Federico R. Lopez, born August 5, 1961, Filipino, has been a member of the board since December 1998. He is Chairman and CEO of publicly-listed companies First Gen, FPH, and EDC. He is a director of ABS-CBN Corporation and Vice Chairman of Rockwell Land Corporation, both of which are listed companies. He is also the Treasurer of Lopez Holdings Corporation. Mr. Lopez is Chairman of the Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management and the *Sikat* Solar Challenge Foundation. He is a member of the board of trustees of the World Wide Fund – Philippines, the Philippine Tropical Forest Conservation Foundation, and the Philippine Disaster Recovery Foundation. He is a member of the Asia Business Council, the ASEAN Business Club, and the World Presidents' Organization. He is also President of *Ang Misyon, Inc.* and a member of the International Advisory Board of the New York Philharmonic. Mr. Lopez is a graduate of the University of Pennsylvania with a Bachelor of Arts degree in Economics and International Relations (*cum laude*, 1983).

Francis Giles B. Puno, born September 1, 1964, Filipino, was first elected to the board in August 2005. He is President and COO of First Gen and Executive Vice President, CFO and Treasurer of FPH. He sits in the boards of publicly-listed companies FPH, EDC, and Rockwell Land Corporation. Mr. Puno has a master's degree in Management from the Kellogg Graduate School of Management of Northwestern University (1990) and a degree in Bachelor of Science in Business Management from Ateneo de Manila University (1985).

Richard B. Tantoco, born October 2, 1966, Filipino, has been a director of the Corporation since August 2005. He is a Director and Executive Vice President of the Corporation, Executive Vice President of FPH, and President and Chief Operating Officer of EDC. Each of First Gen, FPH and EDC is a publicly-listed company. Mr. Tantoco has an MBA in Finance from the Wharton School of Business of the University of Pennsylvania (1993) and a Bachelor of Science degree in Business Management from Ateneo de Manila University where he graduated with honors (1988).

Peter D. Garrucho Jr., born May 4, 1944, Filipino, has been a member of the board since the company's incorporation in December 1998. He sits in the boards of listed companies FPH and EDC. Until his retirement in January 2008 as Managing Director for Energy of FPH, Mr. Garrucho held the positions of Vice Chairman and CEO of the company. Mr. Garrucho has an AB-BSBA degree from De La Salle University (1966) and a master's degree in Business Administration from Stanford University (1971).

Elpidio L. Ibañez, born September 30, 1950, Filipino, was first elected to the board of directors in December 1998. He is a member of the board of EDC, and serves as President and COO of FPH, both of which are publicly-listed companies. Mr. Ibañez obtained a master's degree in Business Administration from the University of the Philippines (1975) and a Bachelor of Arts degree major in Economics from Ateneo de Manila University (1972).

Eugenio L. Lopez III, born August 13, 1952, Filipino, was first elected to the board of directors in September 2009. He is a director of FPH and Rockwell Land Corporation, Vice Chairman of Lopez Holdings Corporation, and Chairman of ABS CBN Corporation, all of which are publicly-listed companies. He is Chairman Emeritus of ABS CBN Lingkod Kapamilya Foundation, Inc. (formerly ABS CBN Foundation, Inc.), Chairman of Sky Cable Corporation, and Chairman/President of Bayan Telecommunications. Mr. Lopez graduated with a Bachelor of Arts degree in Political Science from Bowdoin College (1974), and has a master's degree in Business Administration from Harvard Business School (1980).

Tony Tan Caktiong, born January 5, 1953, Filipino, has been an Independent Director of the company since April 2005. He is the Chairman of Jollibee Foods Corporation and Co-Chairman of DoubleDragon Properties Corp., both of which are publicly-listed companies. He is a director of listed company Philippine Long Distance Telephone Company, and is at the helm of Chowking, Greenwich, Red Ribbon Bakeshop, Mang Inasal in the Philippines, and Yonghe King

and Hong Zhuang Yuan in China. He is a member of the board of trustees of the Asian Institute of Management, St. Luke's Medical Hospital, Philippine Business for Education, and the Temasek Foundation of Singapore. He is an Agora Awardee for Outstanding Marketing Achievement, Triple A Alumni Awardee of the Asian Institute of Management, TOYM Awardee for Entrepreneurship, and a recipient of the World Entrepreneur of the Year award in 2004. Mr. Caktiong has a Bachelor of Science degree in Chemical Engineering from the University of Santo Tomas (1975) and has management tutoring certifications from Harvard University, Asian Institute of Management, University of Michigan Business School, and Harvard Business School.

Jaime I. Ayala, born March 24, 1962, Filipino, was elected Independent Director of the company in May 2013. He is the Founder and CEO of Hybrid Social Solutions, a social enterprise focused on empowering rural villages through solar energy. He was recognized as 2013 Schwab Foundation Social Entrepreneur of the Year and 2012 Ernst & Young Entrepreneur of the Year Philippines. Mr. Ayala was President and CEO of publicly-listed Ayala Land, Inc. and Senior Managing Director of Ayala Corporation. Prior to joining Ayala Corporation, he was a director (global senior partner) at McKinsey & Company, where he played a number of global and regional leadership roles, including head of the firm's Asian Energy Practice, and President of McKinsey's Manila office. Mr. Ayala sits as a trustee in the Princeton University Board of Trustees, Stiftung Solarenergie - Solar Energy Foundation, and the Philippine Tropical Forest Conservation Foundation. Mr. Ayala earned his master's degree in Business Administration from Harvard Business School (1988) where he graduated with honors, and completed his undergraduate work at Princeton University (1984) where he graduated *magna cum laude* in Economics.

The Company's senior management is composed of the following:

Officer	Nationality	Position	Age	Year position was assumed
Federico R. Lopez	Filipino	Chairman and CEO	53	Chairman since 2010; CEO since 2008
Francis Giles B. Puno	Filipino	President and COO	50	June 2010
Ernesto B. Pantangco	Filipino	Executive Vice President	64	2010
Jonathan C. Russell	British	Executive Vice President	50	2010
Richard B. Tantoco	Filipino	Executive Vice President	48	2008
Renato A. Castillo	Filipino	Senior Vice President	60	2011
Ferdinand Edwin S. Co Seteng	Filipino	Senior Vice President	52	2012
Colin Fleming	British	Senior Vice President	53	2012
Victor B. Santos Jr.	Filipino	SVP & Compliance Officer	47	Compliance Officer since 2005; SVP since 2010
Emmanuel P. Singson	Filipino	SVP, CFO, and Treasurer	49	CFO since 2011, SVP and Treasurer since 2010
Nestor H. Vasay	Filipino	Senior Vice President	61	2010
Julicer A. Alvis	Filipino	Vice President	39	2014
Ramon J. Araneta	Filipino	Vice President	54	2014
Erwin O. Avante	Filipino	Vice President	40	2009
Jerome H. Cainglet	Filipino	Vice President	46	2011
Dominador M. Camu Jr.	Filipino	Vice President	53	2014
Teodorico R. Delfin	Filipino	Vice President	46	2013
Valerie Y. Dy Sun	Filipino	VP & Head of Investor Relations	38	Head of Investor Relations since 2011, Vice President since 2012
Anna Karina P. Gerochi	Filipino	Vice President	47	2012
Dennis P. Gonzales	Filipino	Vice President	44	2009
Shirley C. Hombrebueno	Filipino	Vice President	45	2011
Ariel Arman V. Lapus	Filipino	Vice President	45	2009
Jorge H. Lucas	Filipino	Vice President	58	2010
Aloysius L. Santos	Filipino	Vice President	53	2007
Carmina Z. Ubaña	Filipino	VP & Comptroller	38	2011
Daniel H. Valeriano Jr.	Filipino	Vice President	65	2001
Charlie R. Valerio	Filipino	VP & Chief Information Officer	48	2012
Ma. Theresa M. Villanueva	Filipino	Head of Internal Audit	38	2013
Vincent C. Villegas	Filipino	Vice President	42	2009
Rachel R. Hernandez	Filipino	Corporate Secretary	48	2009
Anna Marie M. Sencio	Filipino	Asst. Corporate Secretary	45	2012

Ernesto B. Pantangco, born September 24, 1950, Filipino, is Executive Vice President of the Company. He is a director of publicly-listed EDC, where he also serves as Executive Vice

President. He has a Bachelor of Science in Mechanical Engineering degree from De La Salle University (1973) and a Master of Business Administration degree from the Asian Institute of Management, dean's list (1976). Mr. Pantangco is a registered mechanical engineer who placed 6th in the 1973 board exams.

Jonathan C. Russell, born September 23, 1964, British, is Executive Vice President of the Company. He also sits as a member of the board of EDC, a listed company. Mr. Russell has a Bachelor of Science degree in Chemical and Administrative Sciences (with Honours) (1987) and a Master of Business Administration in International Business and Export Management degree (with Distinction) (1989), both from City University Business School in London, England.

Renato A. Castillo, Filipino, born June 7, 1954, is a Senior Vice President of the Company. Mr. Castillo has a degree in Bachelor of Science in Commerce major in Accounting from De La Salle University (1974).

Ferdinand Edwin S. Co Seteng, born October 27, 1962, is a Senior Vice President of the Company and FPH. He is a director of publicly-listed companies FPH and Rockwell Land Corporation. Mr. Co Seteng is a B.S. Electrical Engineering graduate from the University of the Philippines (1985) and holds a Master of Business Administration degree (with distinction) from the Johnson Graduate School of Management of Cornell University (1988).

Colin Fleming, born October 2, 1961, British, is a Senior Vice President of the Company. Mr. Fleming holds a Bachelor of Science degree in Mechanical Engineering from the Institute of Technology, Dundee, United Kingdom (1986), and is a Chartered Engineer and a member of the European Federation of National Engineering Associations.

Victor B. Santos Jr., born September 7, 1967, Filipino, is Senior Vice President, Compliance Officer, and Corporate Information Officer of the Company. He is also a Senior Vice President of FPH, a listed company. Mr. Santos has a master's degree in Business Administration from Fordham University (1995) and a Bachelor of Science degree in Management of Financial Institutions from De La Salle University (1989).

Emmanuel P. Singson, born December 31, 1965, Filipino, is Senior Vice President, Chief Financial Officer and Treasurer of the Company. He is primarily involved in the fund-raising activities of the Company. Mr. Singson obtained his Bachelor of Science degree in Business Management from Ateneo de Manila University (1987).

Nestor H. Vasay, born October 5, 1953, Filipino, is a Senior Vice President of the Company. He also serves as Chief Financial Officer of publicly-listed EDC. Mr. Vasay is a Certified Public Accountant and holds a bachelor's degree in Business Administration from Angeles University.

Julicer A. Alvis, born June 16, 1975, Filipino, is a Vice President of the Company. He is a graduate of Bachelor of Science in Mechanical Engineering from the University of the Philippines (1997). Mr. Alvis placed 4th in the April 1998 Mechanical Engineering board examination.

Ramon J, Araneta, born August 13, 1960, Filipino, is a Vice-President of the Company. Mr. Araneta holds a degree in Bachelor of Arts Economics from Ateneo de Manila (1981).

Erwin O. Avante, born September 26, 1974, Filipino, is a Vice President of the Company and EDC, both of which are listed companies. Mr. Avante has master's degrees in Business Administration (2000) and Computational Finance (2003) from the Graduate School of Business-De La Salle University, and a Bachelor of Science in Accountancy degree also from De La Salle University (1994). Mr. Avante placed 1st in the May 1995 Certified Public Accountants board examination, and is a CFA charterholder.

Jerome H. Cainglet, born June 22, 1968, Filipino, is a Vice President of the Company. He is a graduate of B.S. Chemical Engineering from the University of the Philippines (1989) and has an Executive MBA degree from the Asian Institute of Management (2006).

Dominic M, Camu Jr., born July 12, 1961, Filipino, is a Vice President of the Company. He is also Senior Vice President of Operations and Engineering and Leyte Strategic Business Unit

Head of EDC. Mr. Camu graduated with a Bachelor of Science degree in Electrical Engineering from Mapua Institute of Technology (1983). He is a member of the Philippine Society of Institute of Integrated Electrical Engineers. He passed the board examinations for Electrical Engineer in 1984.

Teodorico R. Delfin, born September 19, 1968, is a Vice President of the Company and is the Corporate Secretary of publicly-listed EDC. Mr. Delfin holds a Bachelor of Arts in Political Science degree (1989) and Bachelor of Laws degree (1997), both from the University of the Philippines.

Valerie Y. Dy Sun, born December 23, 1976, is Vice President and Head of Investor Relations of the Company. She has a Bachelor of Arts degree in Management Economics from Ateneo de Manila University (1998) where she graduated with honors, and a master's degree in Business Management from the Asian Institute of Management, dean's list (2002).

Anna Karina P. Gerochi, born August 2, 1967, Filipino, is a Vice President of the Company and FPH, both of which are listed companies. She has a Bachelor of Arts in Mathematics degree (1988) and a Master of Engineering in Operations Research and Industrial Engineering degree (1989), both from Cornell University, and an Executive MBA degree from the Asian Institute of Management, with distinction (2006).

Dennis P. Gonzales, born December 4, 1970, Filipino, is a Vice President of the Company. Mr. Gonzales has a master's degree in Business Management from the Asian Institute of Management (1998) and a Bachelor of Science degree in Chemical Engineering from De La Salle University (1992). He ranked 6th in the Chemical Engineering board examinations (1992).

Shirley C. Hombrebueno, born August 3, 1969, Filipino, is a Vice President of the Company. She has a Bachelor of Science degree in Economics, *cum laude*, from the University of the Philippines (1990).

Arman V. Lapus, born August 26, 1969, Filipino, is a Vice President of the Company. He has a bachelor's degree in Business Management from Ateneo de Manila University (1990) and a master's degree in Business Management from the Asian Institute of Management (1997).

Jorge H. Lucas, born July 27, 1956, Filipino, is a Vice President of the Company. Mr. Lucas has a Bachelor of Science degree in Mechanical Engineering from the University of the East (1978) and an Electrical Engineering degree from Mapua Institute of Technology (1984). He earned credits for a master's degree in Energy Engineering from the University of the Philippines (1991-92). He is a registered professional mechanical engineer and electrical engineer.

Aloysius L. Santos, born October 25, 1961, Filipino, is a Vice President of the Company. Mr. Santos holds an MBA from Sydney University (1996) and a master's degree in General Engineering (Energy Management) from Oklahoma State University (1986). He is a licensed Chemical Engineer who ranked 3rd in the Chemical Engineering board examinations (1985).

Carmina Z. Ubaña, born November 2, 1976, Filipino, is Vice President and Comptroller of the Company. She has a Bachelor of Science degree in Accountancy from the Polytechnic University of the Philippines (1996). Ms. Ubaña passed the board examinations for Certified Public Accountants in May 1997.

Daniel H. Valeriano Jr., born June 1, 1949, Filipino, is a Vice President of the Company. Mr. Valeriano has a bachelor's degree in Electrical Engineering from the University of the Philippines (1971) and has earned credits for a Master of Science degree in Industrial Engineering from the University of the Philippines during the years 1976–1978. He is a registered electrical engineer.

Charlie R. Valerio, born April 8, 1967, Filipino, is Vice President and Chief Information Officer of the Company. He is a graduate of B.S. Computer Science with specialization in Computer Technology from De la Salle University (1988) and is a certified project management professional (Project Management Institute).

Ma. Theresa M. Villanueva, born February 5, 1977, Filipino, is Head of Internal Audit. She holds a Bachelor of Arts in Accountancy degree (2000) and a Master of Science in Finance degree (2004), both from the University of the Philippines.

Vincent Martin C. Villegas, born October 5, 1972, Filipino, is a Vice President of the Company and EDC, both of which are listed companies. He has a master's degree in Business Management from the Asian Institute of Management (1998) and an AB in Management Economics from Ateneo de Manila University (1993).

Rachel R. Hernandez, born April 24, 1967, Filipino, is Corporate Secretary of the Company. She obtained her Bachelor of Arts degree in Philosophy (1986) and Bachelor of Laws degree (1992) from the University of the Philippines, and is licensed to practice law in the Philippines and New York.

Anna Marie M. Sencio, born March 27, 1970, Filipino, is the Assistant Corporate Secretary of the Company. She obtained her Bachelor of Science degree in Business Administration and Accountancy, *cum laude,* from the University of the Philippines (1991) and Juris Doctor from Ateneo de Manila University (2000), where she graduated with honors.

(2) Significant Employees

The Corporation considers the collective efforts of all its employees as instrumental to the overall success of the Corporation's performance.

(3) Family Relationships

Federico R. Lopez is the son of Oscar M. Lopez, and is a 1st cousin of Eugenio L. Lopez III. Ernesto B. Pantangco is the cousin of the wife of Oscar M. Lopez; and the wives of Federico R. Lopez and Francis Giles B. Puno are sisters.

(4) Involvement in Certain Legal Proceedings

To the best of the Corporation's knowledge, as of the date of this report, there has been no occurrence during the past 5 years of any of the following events which are material to an evaluation of the ability or integrity of any director, nominee for election as director, or executive officer of the Corporation:

a. Any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, or executive officer of the Corporation, was a general partner or executive officer either at the time of the bankruptcy or within 2 years prior to that time;

b. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign (excluding traffic violations and other minor offenses), save for the criminal complaint discussed in Item 3 (Legal Proceedings) entitled West Tower Condominium Corporation vs. Leonides Garde, *et al.*;

c. Any order, judgment or decree not subsequently reversed, suspended or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of a director, person nominated to become a director, or executive officer, in any type of business, securities, commodities or banking activities; or

d. Any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, that any director, person nominated to become a director, or executive officer, has violated a securities or commodities law.

Item 10. Executive Compensation

a) Certain officers of the Company, including the top 5 members of senior management listed in the table below, are seconded from FPH and some of the First Gen's subsidiaries and affiliates, and receive their salaries from FPH or the relevant investee company of the corporation, as the case may be.

Name and Position	Year	Salary (in PHP)	Bonus/Other Income (in PHP)
Federico R. Lopez Chairman and CEO			
Francis Giles B. Puno President and COO			
Richard B. Tantoco Executive Vice President			
Jonathan Russell Executive Vice President			
Victor B. Santos Jr. SVP and Compliance Officer			
CEO and the 4 most highly compensated officers named above	2013	133,245,362	203,430,750
	2014	160,029,000	265,764,455
	2015 (estimate)	175,266,180	133,337,664
Aggregate compensation paid to all officers and directors as a group unnamed	2013	273,846,100	320,948,974
	2014	320,450,944	379,188,484
	2015 (estimate)	333,501,509	262,796,509

b) Standard Arrangements

The directors receive standard per diems of Fifty Thousand Pesos (₱50,000.00) for attendance at each board meeting.

c) Employment Contracts, Termination of Employment, Change-in-Control Arrangements

The company does not have any compensatory plan or arrangement that results or will result from the resignation, retirement, or any other termination of an executive officer's employment with the Company or its subsidiaries, or from a change in control of the Company, or a change in an executive officer's responsibilities following a change in control, except for such rights as may have already vested under the Company's Retirement Plan.

d) Warrants and Options Outstanding: Repricing

Executive Stock Option Plan (ESOP)
Under the Corporation's ESOP, senior managers and executives of the Corporation, senior managers and executives of companies of which more than 30% of the voting stock is effectively owned, directly or indirectly and legally or beneficially, by the Corporation, senior managers and executives of such other companies in which the Corporation owns shares as may be determined by the board of directors, and directors, officers or employees of FPH and its affiliates, who are nominated and awarded as such, may acquire the Corporation's common shares.

The aggregate number of common shares that may be subject to, and issued under, awards granted pursuant to the Executive Stock Option Plan (ESOP) shall not at any time exceed 4% of the total issued and outstanding common shares as of any option grant date. Options under the ESOP vest within a 5-year period, beginning from the date of acceptance of the option and ending on the day exactly 5 years from the applicable option grant date.

There has only been 1 option grant date (July 1, 2003) pursuant to the ESOP. Options awarded pursuant to this option grant date are no longer exercisable following the Option Expiration Date on July 1, 2013.

Under the July 1, 2003 option grant date, a total of 452,285 common shares of First Gen's unissued common shares were reserved for the ESOP. In Resolution No. 445 dated August 29, 2002, the Philippine SEC held that First Gen's issuance of 452,285 shares of stock pursuant to its ESOP is exempt from the registration requirements under Section 10.2 of the SRC.

By virtue of the common shares split and common shares dividends declared and approved by the board of directors and stockholders on April 4, 2005, the number of options and price per share were adjusted automatically in accordance with the terms of the ESOP. Accordingly, the number of common shares reserved for the ESOP was adjusted from 452,285 to 18,091,400 and the exercise price of ₱528.00 per share was adjusted to ₱13.20 per share. As a result of the said restructuring, the Philippine SEC set aside Resolution No. 445 and issued on November 29, 2005 Resolution No. 372 to reflect adjustments in the number of allocated shares from 452,285 to 18,091,400 and subscription price from ₱528.00 to ₱13.20.

Of the 18,091,400 common shares allocated for the ESOP, 15,856,800 common shares were granted under the July 1, 2003 option grant date.

On August 27, 2009, the Philippine SEC approved a 50% stock dividend on common shares, and further adjustments were made on the number of unexercised common shares and subscription price per share. As there were 4,343,072 unexercised shares at that time, the stock dividend added 50% thereto, or 2,171,536 shares, bringing the total number of unexercised shares to 6,514,608. On the other hand, the subscription price per share was reduced from ₱13.20 to ₱8.80. In Resolution No. 010 dated January 11, 2010, the Philippine SEC confirmed the continuing exemption of the ESOP shares from the registration requirements of the SRC.

As of the Option Expiration Date of July 1, 2013, there were 893,366 unexercised shares, which shares are deemed forfeited in accordance with the terms of the ESOP.

The following table sets out the persons to whom options have been granted pursuant to the ESOP and the number of shares relating to each such person as of the Option Expiration Date of July 1, 2013:

Name and Position	Date of Grant	Total Options Granted	Vested and Unexercised (Forfeited)	Unvested	Exercise Price/ Share	Market Price/Share[3]
Federico R. Lopez Chairman and CEO						
Francis Giles B. Puno President and COO						
Richard B. Tantoco Executive Vice President						
Jonathan Russell Executive Vice President						
Victor B. Santos Jr. SVP and Compliance Officer						
Aggregate number of shares granted to the above-named officers	July 1, '03	4,923,072	–	–	₱8.80	₱14.07
Aggregate number of shares granted to all officers and directors as a group unnamed	July 1, '03	18,028,336	893,366	–	₱8.80	₱14.07

[3] *Average market price from listing date to Option Expiration Date of July 1, 2013.*

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record & Beneficial Owners

The equity securities of the Corporation consist of common and preferred shares. The common shares, as well as Series "B" and "E" preferred shares, are voting; the Series "F" and "G" preferred shares are non-voting.

As of March 12, 2015, the Company knows of no one who is directly or indirectly the record or beneficial owner of more than 5% of the corporation's capital stock except as set forth below:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Common Shares
Common	FPH 4th Floor Benpres Building Exchange Road cor. Meralco Avenue, Pasig City FPH is the parent of the Corporation.	FPH is the record and beneficial owner of the shares indicated.	Filipino	2,424,990,159	66.24%
Common	PCD Nominee Corp. 37/F Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City	Various	Filipino Foreign	685,776,772 504,437,823	18.73% 13.78%

	Owner of more than 5% under PCD Nominee Corp.				
Common	Deutsche Bank Manila-Clients A/C 26/F Ayala Tower One Ayala Triangle, Makati City	Various	Foreign	259,228,927	7.08%

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Voting Preferred Shares
Voting Preferred Shares (Series B and E)	FPH	FPH is the record and beneficial owner of the shares.	Filipino	1,468,553,892	100.00%

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Non-Voting Preferred Shares
Non-Voting Preferred Shares (Series F)	FPH	FPH is the record and beneficial owner of the shares.	Filipino	52,434,000	22.43%
Non-Voting Preferred Shares (Series F)	PCD Nominee Corp. (Filipino)	Various	Filipino	45,125,000	19.30%

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Non-Voting Preferred Shares
Non-Voting Preferred	FPH	FPH is the record and beneficial owner of the shares.	Filipino	50,296,450	21.52%

Shares (Series G)					
Non-Voting Preferred Shares (Series G)	PCD Nominee Corp. (Filipino)	Various	Filipino	81,303,050	34.78%

	Owner of more than 5% under PCD Nominee Corp.				
Non-Voting Preferred Shares (Series G)	BDO Securities Corporation 27/F Tower I & Exchange Plaza Ayala Ave., Makati City	Various	Filipino	39,603,780	16.94%

(2) Security Ownership of Management as of March 12, 2015

Following is the security ownership of the Company's directors and executive officers:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage to Common Shares
Common	Oscar M. Lopez	Direct - 5,461,226	Filipino	0.1492%
Common	Federico R. Lopez	Direct - 5,569,397	Filipino	0.1521%
Common	Francis Giles B. Puno	Direct - 8,090,930	Filipino	0.2210%
Common	Richard B. Tantoco	Direct - 4,748,820	Filipino	0.1297%
Common	Peter D. Garrucho Jr.	Direct - 6,887,004	Filipino	0.1881%
Common	Elpidio L. Ibañez	Direct - 1,900,000	Filipino	0.0519%
Common	Eugenio L. Lopez III	Direct - 150	Filipino	0.0000%
Common	Tony Tan Caktiong	Direct - 165	Filipino	0.0000%
Common	Jaime I. Ayala	1	Filipino	0.0000%
Common	Ernesto B. Pantangco	Direct - 2,681,866	Filipino	0.0733%
Common	Jonathan C. Russell	Direct - 1,484,538	British	0.0406%
Common	Renato A. Castillo	0	Filipino	0.0000%
Common	Victor B. Santos Jr.	0	Filipino	0.0000%
Common	Emmanuel P. Singson	Direct - 705,000	Filipino	0.0193%
Common	Nestor H. Vasay	Direct - 525,000	Filipino	0.0143%
Common	Ferdinand Edwin S. Co Seteng	0	Filipino	0.0000%
Common	Colin Fleming	Direct - 33,300	British	0.0009%
Common	Julicer A. Alvis	0	Filipino	0.0000%
Common	Ramon J. Araneta	Direct - 60,028	Filipino	0.0016%
Common	Erwin O. Avante	Direct - 273,875	Filipino	0.0075%
Common	Jerome H. Cainglet	Direct - 294,416	Filipino	0.0080%
Common	DominicM. Camu Jr.	0	Filipino	0.0000%
Common	Teodorico R. Delfin	0	Filipino	0.0000%
Common	Valerie Y. Dy Sun	0	Filipino	0.0000%
Common	Ana Karina P. Gerochi	0	Filipino	0.0000%
Common	Dennis P. Gonzales	Direct - 465,000	Filipino	0.0127%
Common	Shirley C. Hombrebueno	Direct - 410,749	Filipino	0.0112%
Common	Ariel Arman V. Lapus	0	Filipino	0.0000%
Common	Jorge H. Lucas	Direct - 169,729	Filipino	0.0046%
Common	Aloysius L. Santos	0	Filipino	0.0000%
Common	Carmina Z. Ubaña	Direct - 10,268	Filipino	0.0003%
Common	Daniel H. Valeriano Jr.	Direct - 1,300,000	Filipino	0.0355%
Common	Charlie R. Valerio	0	Filipino	0.0000%
Common	Ma. Theresa M. Villanueva	0	Filipino	0.0067%
Common	Vincent C. Villegas	Direct - 245,269	Filipino	0.0000%
Common	Rachel R. Hernandez	Direct - 8,299	Filipino	0.0002%
Common	Anna Marie M. Sencio	0	Filipino	0.0000%

As of March 12, 2015, the aggregate amount of common shares registered in the names of the directors and officers of the Corporation is 41,325,030.

(3) Voting Trust Holders of 5% or more

The Corporation knows of no person holding 5% or more of the Corporation's shares under a voting trust or similar agreement.

(4) Changes in Control

There are no existing provisions in the Corporation's amended articles of incorporation or amended by-laws which will delay, defer, or in any manner prevent a change in control of the Corporation. However, FPH is the sole holder of the Corporation's Series "B" and "E" voting preferred shares. Under the Corporation's amended articles of incorporation, the voting preferred shares can only be transferred to Philippine citizens or corporations at least 60% of the outstanding equity capital is beneficially owned by Philippine citizens and which, in either case, are not in competition with FPH or any of its affiliates.

Item 12. Certain Relationships and Related Transactions

To the best of the Corporation's knowledge, there has been no material transaction during the past 2 years, nor is there any material transaction presently proposed, to which the Corporation was or is to be a party, in which any of its directors, executive officers, nominees for election as directors, or any individual owning, directly or indirectly, significant voting power of the Corporation, or any close family members of such individuals, had or is to have a direct or indirect material interest except as provided hereunder.

The following are the other 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 certain entities in the Lopez 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. First Gen 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, First Gen 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.

   On January 30, 2013, First Gen and EDC agreed to extend the Consultancy agreement for a another period of 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. 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 December 31, 2014, the outstanding balance of EDC's payables to First Balfour and Thermaprime totaled to $23.5 million and is recorded under "Accounts payable and accrued expenses" account in the consolidated financial statements.

   On January 29, 2014, EDC entered into a contract with 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 for $18.6 million and recognized gain on sale amounting to $1.3 million.

   First Balfour is a wholly owned subsidiary of FPH.

e. Intercompany Guarantees

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.

During the May 12, 2014 Annual Stockholders' Meeting and Organizational Meeting of the BOD of the Company, the stockholders and the BOD of the Company approved the confirmation, ratification and approval of the authority of the Company, pursuant to Clause (i) of the Second Article of the 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 plant and PMPC, which is the operating company of the 97 MW Avion plant, under such terms and conditions as the Company's duly authorized representatives may deem necessary, proper or convenient in the best interests of the Company and its relevant subsidiary.

In 2014, the Company issued guarantees totaling to $6.4 million in favor of the Board of Investments (BOI), to guarantee the payment of customs duties waived in the event that FNPC and/or PMPC does not comply with the terms and conditions of their respective Certificates of Authority specifically on the installation and permanent use of imported capital equipment, spare parts and accessories that will be installed in the San Gabriel and Avion power plants. The guarantees shall remain in force until the BOI lifts the same upon compliance by FNPC and PMPC of its obligations under their respective Certificates of Authority.

On July 10, 2014, the Company 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.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance. Please refer to the Annual Corporate Governance Report (ACGR) for 2014, hereto attached as ***Exhibit "E"***.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(1) Exhibits

Exhibit "A"	Management Report
Exhibit "B"	Audited Consolidated Financial Statements for the years ended December 31, 2014 and 2013, and the Audited Parent Company Financial Statements stamped received by the BIR
Exhibit "C"	SRC Rule 68, As Amended (2011) [Schedules]
Exhibit "D"	Audit Committee Report for the year 2014
Exhibit "E"	Annual Corporate Governance Report for the year 2014

(2) Reports on SEC Form 17-C

The Company filed the following reports on SEC Form 17-C (Current Report) during the period January to December 2014:

January 13, 2014 The company advised that in connection with the cases entitled *Bayan Muna Representatives, et al. vs. Energy Regulatory Commission, et al.* (G.R. No. 210245) and *National Association of Electricity Consumers for Reforms, et*

al. vs. Manila Electric Company, et al. (G.R. No. 210255), an Order from the Supreme Court dated January 10, 2014 was received, which: (i) treated the Counter-Petition filed by respondent Meralco as in the nature of a third party complaint; and (ii) granted the prayer of Meralco to implead as additional respondents, among others, First Gas Power Corporation and FGP Corp., both of which are wholly owned subsidiaries of the Company.

January 14, 2014 — The Company reported, by way of a press statement, that First Gen's wholly owned subsidiary, First NatGas Power Corporation (FNPC), held a groundbreaking ceremony for the 414MW San Gabriel combined cycle natural gas-fired power plant in Santa Rita, Batangas City. The plant is expected to go on commercial operations in 2016, and will sell electricity to the Luzon grid.

February 27, 2014 — Approval by the board of directors of the following material resolutions:

1) The details of the 2014 Annual General Meeting as follows:

Date:	May 12, 2014 (Monday)
Time:	10:00 am
Venue:	The Rockwell Tent Rockwell Center Makati City
Record Date:	March 13, 2014

2) The nominations of the following for re-election to the board of directors for the period 2014-2015 and until the election and qualification of their successors:

Mr. Oscar M. Lopez
Mr. Federico R. Lopez
Mr. Francis Giles B. Puno
Mr. Richard B. Tantoco
Mr. Peter D. Garrucho Jr.
Mr. Elpidio L. Ibañez
Mr. Eugenio L. Lopez III
Mr. Tony Tan Caktiong (Independent Director)
Mr. Jaime I. Ayala (Independent Director)

3) The amendment of the Third Article of the Company's Amended Articles of Incorporation to change the principal office from "Metro Manila, Philippines" to "3rd Floor Benpres Building, Exchange Road cor. Meralco Avenue, Pasig City, Philippines" in compliance with Securities and Exchange Commission Memorandum Circular #6 (Series of 2014). This will be submitted for stockholders' ratification on May 12, 2014.

4) Pursuant to Clause (i) of the Second Article of the Company's Amended Articles of Incorporation, the Company is authorized to act as a guarantor or co-obligor or assume any obligation of any of the Corporation's subsidiaries, including but not limited to First NatGas Power Corp. and Prime Meridian Powergen Corporation, under such terms and conditions as the Corporation's duly authorized representatives shall deem necessary, proper or convenient in the best interests of the Corporation and its relevant subsidiary. This will be submitted for stockholders' ratification on May 12, 2014.

February 28, 2014 — The Company advised that upon completion of the scheduled maintenance outage of Unit 40 of the Santa Rita power plant, the main generator transformer protection activated during the start-up process of the Unit. Unit 40 is one (1) of four (4) units of the 1000-MW Santa Rita gas-fired power

plant. Investigation is ongoing to determine the cause of the activation of the transformer protection and assess the condition of the transformer.

March 19, 2014 — Approval by the board of directors of the Audited Consolidated Financial Statements for the years ended December 31, 2013 and 2012; and the appointment of SyCip Gorres Velayo & Co. as the Company's external auditors for 2014-2015. Both matters will be submitted for stockholders' ratification during the May 12, 2014 annual general meeting.

April 7, 2014 — Further to the Company's February 28, 2014 disclosure regarding Unit 40 of the Santa Rita power plant, the Company reported that the results of internal inspections as well as testing conducted by the original equipment manufacturer (OEM) confirmed damage to the internal components of the Unit 40 transformer. The Company is evaluating repair measures as well as a replacement option for the said transformer, either of which can be completed by the 4th quarter of this year. 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. The Company is in discussions with the supplier to expedite the manufacturing and delivery of this spare transformer.

May 12, 2014 — The Company disclosed stockholder approval of the following matters:

1) Election of the following members of the board of directors:

   Oscar M. Lopez
   Federico R. Lopez
   Francis Giles B. Puno
   Richard B. Tantoco
   Peter D. Garrucho Jr.
   Elpidio L. Ibanez
   Eugenio L. Lopez III
   Tony Tan Caktiong (Independent Director)
   Jaime I. Ayala (Independent Director)

2) Appointment of SyCip Gorres Velayo & Co. as the Company's external auditors for the ensuing year.

3) Amendment to the Third Article of the Company's Amended Articles of Incorporation to change the principal office from "Metro Manila, Philippines" to "3rd Floor Benpres Building, Exchange Road corner Meralco Avenue, Pasig City, Philippines" in compliance with Securities and Exchange Commission Memorandum Circular #6 (Series of 2014).

4) Confirmation, ratification and approval of the authority of the Company, pursuant to Clause (i) of the Second Article of the company's Amended Articles of Incorporation, to act as 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 First NatGas Power Corp. and Prime Meridian Powergen Corporation, under such terms and conditions as the Corporation's duly authorized representatives may deem necessary, proper or convenient in the best interests of the Corporation and its relevant subsidiary.

The Company also reported board approval of the following material resolutions:

(1) Election of the following officers of the Corporation:

Oscar M. Lopez – Chairman Emeritus
Federico R. Lopez - Chairman & Chief Executive Officer
Francis Giles B. Puno –President & Chief Operating Officer
Richard B. Tantoco – Executive Vice President
Ernesto B. Pantangco – Executive Vice President
Jonathan Russell – Executive Vice President
Renato A. Castillo – Senior Vice President
Ferdinand Edwin S. Co Seteng – Senior Vice President
Colin Fleming – Senior Vice President
Victor B. Santos Jr. – Senior Vice President & Compliance Officer
Emmanuel P. Singson – SVP, Chief Financial Officer, Treasurer
Nestor H. Vasay – Senior Vice President
Ramon J. Araneta – Vice President
Erwin O. Avante – Vice President
Jerome H. Cainglet – Vice President
Dominic M. Camu Jr. – Vice President
Teodorico R. Delfin – Vice President
Valerie Y. Dy Sun – Vice President & Head of Investor Relations
Anna Karina P. Gerochi – Vice President
Dennis P. Gonzales – Vice President
Shirley C. Hombrebueno – Vice President
Ariel Arman V. Lapus – Vice President
Jorge H. Lucas – Vice President
Aloysius L. Santos – Vice President
Carmina Z. Ubaña – Vice President & Comptroller
Daniel H. Valeriano – Vice President
Charlie R. Valerio – Vice President & Chief Information Officer
Vincent C. Villegas –Vice President
Michael Christopher Young – Vice President
Ma. Theresa M. Villanueva – Head of Internal Audit
Rachel R. Hernandez – Corporate Secretary
Anna Marie M. Sencio – Assistant Corporate Secretary

(2) Election of the members of the following committees:

Nomination and Governance Committee: Federico R. Lopez (Chairman), Richard B. Tantoco, Tony Tan Caktiong

Compensation & Remuneration Committee: Tony Tan Caktiong (Chairman), Federico R. Lopez, Peter D. Garrucho Jr.

Audit Committee: Jaime I. Ayala (Chairman), Elpidio L. Ibañez, Tony Tan Caktiong, Peter D. Garrucho Jr.

Risk Management Committee: Peter D. Garrucho Jr. (Chairman), Elpidio L. Ibañez, Francis Giles B. Puno, Jaime I. Ayala

Executive Committee: Federico R. Lopez (Chairman), Francis Giles B. Puno, Richard B. Tantoco, Ernesto B. Pantangco, Jonathan Russell

(3) Extension of the common share buyback program for another two (2) years or from June 1, 2014 to May 31, 2016 under the same terms and conditions as the original share buyback program. The original share buyback program was approved by the board of directors in May 2010 and covered two (2) years from June 1, 2010 to May 31, 2012. In May 2012, the program was extended by the board for another two (2) years from June 1, 2012 to May 31, 2014.

(4) Approval of a two (2)-year buyback program covering the repurchase of up to PHP5 billion worth of Series F and G preferred shares from the open market. The two (2)-year period will commence on June 1, 2014 and end on May 31, 2016.

May 20, 2014 — The company reported that it purchased 31 million voting preferred shares of stock of Prime Terracota Holdings Corp. (Prime Terracota) owned by the Lopez Inc. Retirement Fund (LIRF). Prime Terracota is the effective 60% voting / 40% economic owner of Energy Development Corporation (EDC) through its subsidiary Red Vulcan Holdings Corporation (Red Vulcan). With this purchase, First Gen's voting stake in Prime Terracota will increase from 45% to 73%. First Gen's effective voting interest in EDC is likewise increased from 33.6% to 50.7%.

June 16, 2014 — The Company disclosed that its board had approved the declaration of cash dividends on its Series F and G preferred shares as follows: PHP4.00 per share on all outstanding Series F preferred shares; PHP3.8904 per share *on* 120 million Series G preferred shares (consisting of 100 million Series G shares issued by way of follow-on offering in May 2012 plus 20 million Series G shares topped-up by FPH); and PHP0.38904 per share on the 13,750,000 Series G preferred shares issued to FPH by way of private placement. The cash dividends have a record date of July 1, 2014 and a payment date of July 25, 2014.

July 4, 2014 — The Company reported, by way of a press statement, that First Gas Power Corporation successfully brought into the country through its plant operator Siemens Power Operations, Inc. a new 318MVA transformer for one (1) of the four (4) units of the Santa Rita natural gas-fired combined cycle power plant in Batangas City. The transformer, which arrived at the port of Batangas City from Shanghai, China, will replace a similar piece of equipment that was damaged in February of this year. The transformer will be transported from the Batangas City port to the Santa Rita plant site, whereby installation and commissioning will immediately follow. Once completed, Santa Rita Unit 40 will resume operations and restore approximately 250 MW back to the Luzon grid.

July 10, 2014 — The Company announced, by way of a press statement, that FNPC signed a US$265MM export credit facility with KfW IPEX-Bank of Germany (KfW) with a tenor of 13.7 years to partially finance the 414MW 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 Equipment Supply Contract of the San Gabriel power plant with Siemens AG, the equipment supplier.

July 17, 2014 — The Company reported that its 1000MW Santa Rita and 500MW San Lorenzo natural gas-fired power plants are on shutdown mode as a result of Typhoon Glenda which severely battered Batangas City, causing flooding at the plant site. First Gen is undertaking thorough damage assessment and restoration works.

July 21, 2014 — First Gen reported that all four (4) units of the Santa Rita power plant have been returned to operation. On the San Lorenzo plant's two (2) units, one (1) unit has successfully resumed operation, while restoration works are being undertaken on the other unit. Further, as regards Unit 40 of the Santa Rita power plant, the said unit was returned to operation after completion of installation and commissioning of the new replacement transformer.

July 22, 2014 — The Company reported that both units of the 500MW San Lorenzo power plant have resumed operations.

July 25, 2014	The Company reported on the resignation of Vice President Michael Christopher Young effective July 26, 2014. Mr. Young opted to pursue interests outside the Philippines.
August 1, 2014	The company reported that its wholly owned subsidiary Prime Meridian Powergen Corp. (PMPC) executed supply contracts with the Istroenergo Group (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 will be located adjacent to First Gen's 1000 MW Santa Rita and 500 MW San Lorenzo natural gas-fired power plants in Batangas City, and is expected to be completed at a cost of approximately US$150 million. The Avion Plant is targeted to be completed and operational by April 2015, and will help provide additional power supply at that time.
August 27, 2014	The company announced the appointment of Mr. Julicer A. Alvis as Vice President of the Corporation, subject to the approval of the board of directors during its next meeting.
October 1, 2014	First Gen advised that its board of directors approved the (i) appointment of Mr. Julicer A. Alvis as Vice President; and (ii) declaration of cash dividends on its issued and outstanding common shares at PHP 0.35 per share. The cash dividends have a record date of October 16, 2014 and a payment date of October 30, 2014.
November 13, 2014	The Company disclosed board approval of the 2015 cash dividends on the company's preferred shares as follows: PHP0.02 per share on all outstanding Series B preferred shares; PHP0.01 per share on all outstanding Series E preferred shares; PHP4.00 per share on all outstanding Series F preferred shares; PHP3.8904 on 120 million Series G preferred shares (consisting of 100 million Series G shares issued by way of follow-on offering plus 20 million Series G shares topped-up by FPH); and PHP0.38904 per share on the 13,750,000 Series G preferred shares issued to FPH by way of private placement. The cash dividends have a record date of January 5, 2015 and a payment date of January 26, 2015.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig, this ___ day of March 2015.

FIRST GEN CORPORATION
Issuer

By:

FEDERICO R. LOPEZ
Chairman & CEO

CARMINA Z. UBAÑA
VP & Comptroller

FRANCIS GILES B. PUNO
President & COO

RACHEL R. HERNANDEZ
Corporate Secretary

EMMANUEL P. SINGSON
SVP & CFO

APR 0 1 2015

SUBSCRIBED AND SWORN to before me this ___ day of March 2015, affiants exhibiting to me their CTC and SSS Numbers as follows:

NAME	CTC/SSS NOS.	DATE OF ISSUE	PLACE OF ISSUE
FEDERICO R. LOPEZ	SSS 0372789020		
	CTC 34588221	February 1, 2015	Pasig
FRANCIS GILES B. PUNO	SSS 3355362021		
	CTC 34597169	February 5, 2015	Pasig
EMMANUEL P. SINGSON	SSS 0388564598		
	CTC 34597308	February 5, 2015	Pasig
CARMINA Z. UBAÑA	SSS 3352113846		
	CTC 34588233	February 1, 2015	Pasig
RACHEL R. HERNANDEZ	SSS 3318848948		
	CTC 34588243	February 1, 2015	Pasig

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Page No. 14;
Book No. 35;
Series of 2015

ATTY RICHARD J. ANOLIN
NOTARY PUBLIC UNTIL DECEMBER 31 2015
COMMISSION NO. 2014-059
FOR THE CITY OF MANILA PHILIPPINES
IBP LIFETIME NO 05179/02 25-05/MLA
PTR NO 3828182 01/05/15/MLA
ROLL NO 33596
MCLE COMPLIANCE NO IV-0023850 18/16/14
RODULFO ANOLIN AND ASSOCIATES LAW OFFICE
2 F YMCA OF MANILA BLDG
#368 ANTONIO VILLEGAS ST
ERMITA MANILA TEL 525-05-86
EMAIL ADD atty.richardanolin@yahoo.com

EXHIBIT “A”

MANAGEMENT REPORT

MANAGEMENT REPORT

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

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 1,313.8 MW of geothermal and wind 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, and a 40.0% economic interest in FG Hydro. As of December 31, 2014, the Parent Company also directly and indirectly owns 1.93 billion common shares in EDC, of which 937.69 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 10.29% economic interest in EDC.

The following discussion focuses on the results of operations of First Gen and its power generating companies. As of December 31, 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 a 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 December 31, 2014, EDC is the Philippines' largest producer of geothermal energy, operating 14 geothermal service contracts in the four 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. Likewise, EDC owns the 150 MW Burgos Wind Power Plant (Burgos) in Burgos, Ilocos Norte. Burgos achieved commercial operations in November 2014.

  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, 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 YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

Audited Consolidated Statements of Income	**For the years ended December 31**		
(Amounts in USD thousands)	**2014**	**2013**	**2012**
			(As restated)
Revenues	**$1,902,630**	$1,904,919	$2,060,229
Income from before income tax from continuing operations	**$396,118**	$229,314	$370,539
Net income attributable to Equity Holders of the Parent Company	**$193,155**	$118,077	$189,834

Audited Consolidated Statements of Financial Position	**As of the years ended December 31**		
(Amounts in USD thousands)	**2014**	**2013**	**2012**
			(As restated)
ASSETS			
Total Current Assets	$1,219,225	$1,376,178	$1,098,024
Property, plant and equipment – net	2,523,991	2,059,215	1,963,127
Goodwill and Intangible assets	1,207,514	1,226,835	1,350,630
Deferred income tax assets – net	27,874	34,791	36,226
Other noncurrent assets	308,671	217,075	265,514
Total Assets	**$5,287,275**	$4,914,094	$4,713,521
LIABILITIES AND EQUITY			
Total Current Liabilities	$728,699	$558,651	$585,253
Long-term debts – net of current portion	2,512,769	2,492,144	2,163,986
Derivative liabilities – net of current portion	32,926	34,579	61,156
Retirement and other post-employment benefits	40,409	40,469	35,565
Deferred income tax liabilities – net	20,381	22,946	16,384
Other noncurrent liabilities	39,485	35,438	29,283
Total Liabilities	**3,374,669**	3,184,227	2,891,627
Equity Attributable to Equity Holders of the Parent Company	1,498,081	1,350,015	1,409,653
Non-controlling Interests	414,525	379,852	412,241
Total Equity	**1,912,606**	1,729,867	1,821,894
Total Liabilities and Equity	**$5,287,275**	$4,914,094	$4,713,521

RESULTS OF OPERATIONS

For the years ended December 31, 2014 vs. December 31, 2013 results

CONSOLIDATED STATEMENTS OF INCOME

Revenues

Revenues for the year ended December 31, 2014 slightly decreased by $2.3 million, or 0.1%, to $1,902.6 million compared to $1,904.9 million for the same period in 2013. The decrease was mainly due to the lower contribution of FGPC by $175.7 million, or 18.4%, in 2014 as a result of lower fuel revenues. Revenues from fuel were lower as a result of the lower plant dispatch (69.0% in 2014 from 83.3% in 2013) following the temporary shutdown of Santa Rita's Unit 40 last February 26, 2014 (the "Unit 40 Incident"), and the decrease in average gas prices ($12.4/MMBtu in 2014 as compared to $12.8/MMBtu in 2013). FG Hydro also contributed lower revenues by $22.6 million, or 38.2%, in 2014 following its $5.6 million revenue adjustment resulting from the re-computation of spot prices for its November and December 2013 billings, as ordered by the Energy Regulatory Commission (ERC) in March 2014. FG Hydro also had lower electricity generation in 2014 as compared to the previous year due to lower water reservoir levels and lower Irrigation Diversion Requirements (IDR).

The decrease in revenues was almost completely offset by the higher revenue contributions of FGP, EDC, and its geothermal and wind subsidiaries. The revenue contribution of FGP increased by $88.2 million, or 26.2%, in 2014 due to its higher average Net Dependable Capacity (NDC) (542.9 MW in 2014 compared to 414.2 MW in 2013) following Unit 60's resumption of operation and the Thermal Performance Upgrade (TPU) installed during the major maintenance outage in 4Q 2013, which likewise resulted in higher fuel revenues. For 2014, EDC's (ex-FG Hydro) consolidated revenues rose by $103.9 million, or 19.0%, mainly due to the $64.0 million increase in the revenues of BacMan Geothermal Inc. (BGI), the $13.9 million higher revenues of Green Core Geothermal Inc. (GCGI), and the $29.0 million increase in the EDC Parent's revenues due to the higher contribution from the Mt. Apo Geothermal Project (Mindanao) as a result of its steam augmentation activities, and the newly-operating 49.4 MW Nasulo Geothermal Project (Nasulo).

Net Income

First Gen's consolidated net income increased by $150.5 million, or 89.8%, from $167.6 million for the year ended December 31, 2013 to $318.1 million during the same period in 2014. 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 (ex-FG Hydro) by $157.6 million, or 172.7%, primarily due to the reversal of a previous impairment provision on its Northern Negros Geothermal Project (NNGP) plant assets amounting to $46.4 million, lower unrealized foreign exchange losses booked in 2014, higher income contribution from BGI, Nasulo and Mindanao, partial insurance claims received, and a one-time gain on sale of its drilling rigs and some inventory materials. These increases were partially offset by higher interest expenses due to 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, and bridge loans amounting to ₱2.7 billion availed by EDC in 2014;

- higher net income contribution of FGP by $34.5 million, or 179.3%, due to a 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, and the partial receipt of proceeds from insurance claims; and,

- higher net income contribution of FGPC by $5.0 million, or 8.0%, mainly due to lower interest expenses following the scheduled principal payments of its loans.

The increase in consolidated net income was partially offset by the lower contribution of FG Hydro by $22.6 million, or 65.0%, in 2014 due to its lower electricity generation and the revenue adjustment for its November and December 2013 billings, and the increase in the Parent Company's expenses by $15.6 million primarily due to the full-year effect of interest expense on its $300.0 million fixed-rate bond issued last October 2013. This was further offset by $8.4 million in 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 $75.1 million, or 63.6%, to $193.2 million for the year ended December 31, 2014, compared to the $118.1 million that was recognized 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 (ex-FG Hydro) by $78.9 million, or 161.8%, mainly due to the reversal of a previous impairment provision on its NNGP plant assets, lower unrealized foreign exchange losses booked in 2014, higher income contribution from BGI, Nasulo and Mindanao, partial insurance claims received, and a one-time gain on sale of its drilling rigs and some inventory materials. These increases were partially offset by higher interest expenses due to 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, and bridge loans amounting to ₱2.7 billion availed by EDC in 2014;

- higher net income contribution of FGP by $34.5 million, or 179.3%, due to a 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 partial receipt of proceeds from insurance claims; and,

- higher net income contribution of FGPC by $5.0 million, or 8.0%, mainly due to lower interest expenses following the scheduled principal payments of its loans and the benefit from deferred income taxes it recognized in 2014.

The above items were partially offset by the lower contribution of FG Hydro by $19.4 million, or 69.4%, due to its lower electricity generation and the revenue adjustment for its November and December 2013 billings, increase in the Parent Company's expenses by $15.6 million due to the full-year effect of interest expense on its $300.0 million fixed-rate bond issued last October 2013. This was further offset by $8.4 million in 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 $373.2 million, or 7.6%, from $4,914.1 million as of December 31, 2013 to $5,287.3 million as of December 31, 2014. The increase was a result of the following movements in major accounts:

- The property, plant and equipment account increased by $464.8 million, or 22.6%, primarily due to the construction of the Burgos, Nasulo, San Gabriel and Avion power plants, Unified Leyte's new additions to property, plant and equipment following the damage caused by Typhoon Yolanda. The increase was partially offset by the depreciation of the existing property, plant and equipment.

- Other noncurrent assets increased by $91.6 million, or 42.2%, primarily due to the capitalization of FGPC's and FGP's O&M charges to cover the estimated cost of turbine blades, the reclassification of EDC's tax credit certificates (TCCs), deferred debt issuance costs (DIC) from the undrawn amount of FNPC's loan, the higher exploration and evaluation assets of EDC, and higher input VAT.

- Receivables increased by $52.1 million, or 15.6%, primarily a result of the higher trade receivables of EDC following the commercial operations of BacMan, Nasulo and Burgos, and higher receivables of FGP from Meralco due to the resumption of Unit 60's operations.

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

- Cash and cash equivalents decreased by $196.4 million, or 22.6%, 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 $11.0 million, or 10.1%, due to the consumption of liquid fuel by FGPC and FGP during the Malampaya gas curtailments that occurred during the year.

- Deferred income tax assets decreased by $6.9 million, or 19.9%, mainly due to the reversal of EDC's deferred tax assets following the reversal of a previous impairment provision of the NNGP plant assets.

LIABILITIES AND EQUITY

Total liabilities increased by $190.4 million, or 6.0%, from $3,184.2 million as of December 31, 2013 to $3,374.7 million as of December 31, 2014 due to the following movements in major accounts:

- Long-term debt increased by $228.4 million, or 8.7%, primarily due to a partial drawdown of the new FNPC loan of $85.4 million, EDC's additional term-loans of $90.0 million, ₱1.4 billion and ₱1.3 billion issued in 2014, and the $276.3 million project finance loan for Burgos issued last October 2014. This was partially offset by the scheduled principal payments on the existing outstanding debt of FGPC, FGP, Red Vulcan, EDC and its subsidiaries, and the Parent Company.

- Income tax payable increased by $6.6 million 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 year.

- Accounts payable and accrued expenses increased by $9.3 million, or 2.6%, 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 and FGP's higher payables as a result of Unit 60's return to operations. This was partially offset by the lower payables to liquid fuel suppliers, and FNPC's payments to Siemens in relation to the San Gabriel project.

- Other noncurrent liabilities increased by $4.0 million, or 11.4%, primarily due to the additional accretion for the asset retirement obligations (ARO) of EDC and First Gen's gas plants.

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 full payment of their respective loans payable.

- Deferred income tax liabilities decreased by $2.6 million, or 11.2%, primarily due to the deferred income tax benefit for the year of FGPC, Goldsilk and EDC. The increase was partially offset by the deferred income tax on mark-to-market (MTM) gains.

Total equity increased by $182.7 million, or 10.6%, to $1,912.6 million as of December 31, 2014 compared to $1,729.9 million as of December 31, 2013. The increase was primarily due to higher retained earnings resulting from the income earned in 2014, but partially offset by dividends paid to preferred and common shareholders. Equity was further increased by higher Cumulative Translation Adjustments (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 $34.7 million, or 9.1%, mainly due 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 year.

FIRST GEN MATERIAL CHANGES IN FINANCIAL CONDITION (December 31, 2014 vs. 2013)

CONSOLIDATED STATEMENTS OF INCOME

Horizontal and Vertical Analyses of Material Changes for the years ended December 31, 2014 vs. 2013

			HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2014	2013	2014 vs. 2013	2014 vs. 2013	2014	2013
Revenues from sale of electricity	$1,902,630	$1,904,919	($2,289)	-0.1%	100.0%	100.0%
TOTAL REVENUES	1,902,630	1,904,919	(2,289)	-0.1%	100.0%	100.0%
OPERATING EXPENSES						
Costs of sale of electricity	(1,212,551)	(1,301,315)	88,764	-6.8%	-63.7%	-68.3%
General and administrative expenses	(210,192)	(169,216)	(40,976)	24.2%	-11.0%	-8.9%
Sub-total	(1,422,743)	(1,470,531)	47,788	-3.2%	-74.8%	-77.2%
FINANCIAL INCOME (EXPENSE)						
Interest income	6,479	9,133	(2,654)	-29.1%	0.3%	0.5%
Interest expense and financing charges	(167,487)	(149,365)	(18,122)	12.1%	-8.8%	-7.8%
Sub-total	(161,008)	(140,232)	(20,776)	14.8%	-8.5%	-7.4%
OTHER INCOME (CHARGES)						
Foreign exchange losses – net	(1,700)	(34,894)	33,194	-95.1%	-0.1%	-1.8%
Recovery on impairment of property, plant and equipment	46,265	-	46,265	100.0%	2.4%	0.0%
Proceeds from insurance claims of EDC and FGP	27,038	1,037	26,001	2507.3%	1.4%	0.1%
Mark-to-market gain – financial assets at fair value through profit or loss (FVPL)	532	-	532	100.0%	0.0%	0.0%
Mark-to-market gain on derivatives – net	171	337	(166)	-49.3%	0.0%	0.0%
Reversal of (loss on) impairment of damaged assets due to Typhoon Yolanda	1,025	(14,810)	15,835	106.9%	0.1%	-0.8%
Loss on impairment of exploration and evaluation assets	-	(13,621)	13,621	-100.0%	0.0%	-0.7%
Others – net	3,908	(2,891)	6,799	235.2%	0.2%	-0.2%
Sub-total	77,239	(64,842)	142,081	219.1%	4.1%	-3.4%
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**396,118**	**229,314**	**166,804**	**72.7%**	**20.8%**	**12.0%**
Provision for (benefit from) Income Tax						
Current	74,780	63,313	11,467	18.1%	3.9%	3.3%
Deferred	3,240	(1,594)	4,834	303.3%	0.2%	-0.1%
	78,020	61,719	16,301	26.4%	4.1%	3.2%
NET INCOME	**$318,098**	**$167,595**	**$150,503**	**89.8%**	**16.7%**	**8.8%**
Net income attributable to:						
Equity holders of the Parent Company	$193,155	$118,077	$75,078	63.6%	10.2%	6.2%
Non-controlling Interests	$124,943	$49,518	$75,425	152.3%	6.6%	2.6%

Revenues

Revenues for the year ended December 31, 2014 slightly decreased by $2.3 million, or 0.1%, to $1,902.6 million compared to $1,904.9 million for the same period in 2013. The decrease was mainly due to the lower contribution of FGPC by $175.7 million, or 18.4%, in 2014 as a result of lower fuel revenues. Revenues from fuel were lower as a result of the lower plant dispatch (69.0% in 2014 from 83.3% in 2013) following the Unit 40 Incident, and the decrease in average gas prices ($12.4/MMBtu in 2014 as compared to $12.8/MMBtu in 2013). FG Hydro also contributed lower revenues by $22.6 million, or 38.2%, in 2014 following its $5.6 million revenue adjustment resulting from the re-computation of spot prices for its November and December 2013 billings, as ordered by the ERC in March 2014. FG Hydro also had lower electricity generation in 2014 as compared to the previous year due to lower water reservoir levels and lower IDR.

The decrease in revenues was almost completely offset by the higher revenue contributions of FGP, EDC, and its geothermal and wind subsidiaries. The revenue contribution of FGP increased by $88.2 million, or 26.2%, in 2014 due to its higher average NDC (542.9 MW in 2014 compared to 414.2 MW in 2013) following Unit 60's resumption of operation and TPU installed during the major maintenance outage in 4Q 2013, which likewise resulted in higher fuel revenues. For 2014, EDC's (ex-FG Hydro) consolidated revenues rose by $103.9 million, or 19.0%, mainly due to the $64.0 million increase in the revenues of BGI, the $13.9 million higher revenues of GCGI, and the $29.0 million increase in the EDC Parent's revenues due to the higher contribution from the Mindanao geothermal plants as a result of its steam augmentation activities and the newly-operating 49.4 MW Nasulo plant.

Costs of sale of electricity

The costs of sale of electricity for the year ended December 31, 2014 decreased by $88.8 million, or 6.8%, to $1,212.5 million in 2014 as compared to $1,301.3 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 decreased by $175.0 million, or 24.1%, to $550.7 million in 2014 compared to $725.7 million in 2013. The decrease was due to the lower dispatch of the gas plant (an average net capacity factor of 69.0% in 2014 as compared to 83.3% in 2013) and the lower average gas prices (from $12.8/MMBtu in 2013 to $12.4/MMBtu in 2014). This was partially offset by the higher fuel costs of San Lorenzo following the resumption of operations for Unit 60.

Operations and Maintenance
O&M expense increased by $16.4 million, or 10.8%, to $167.9 million in 2014. This was primarily due to the higher O&M expenses of EDC resulting from the reconstruction of plants post-Typhoon Yolanda, Mindanao's augmentation activities, and the restoration of BacMan's operations. The increase was likewise due to the increase in First Gen Energy Solutions' O&M expense due its full-year operations 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 (1,582.8 MW in 2014 compared to 1,445.0 MW in 2013).

Other Costs of Sale
For the year ended December 31, 2014, other costs of sale increased by $3.9 million, or 12.7%, primarily due to EDC's higher expenses on rental, insurance and taxes. The increase was partially offset by the decrease in EDC's business and related expenses.

General and Administrative (G&A) Expenses

G&A expenses increased by $41.0 million, or 24.2%, to $210.2 million in 2014, compared to $169.2 million during the same period in 2013. This was primarily a result of the $15.2 million increase in staff costs in 2014 mainly due to EDC's personnel-related costs, and the $11.1 million increase in professional fees due to the growth projects of EDC and First Gen, and to support the full restoration of damaged power plant facilities of EDC. G&A expenses were further brought up by the $11.0 million increase in taxes and licenses and insurance.

Interest income

Interest income decreased by $2.6 million, or 29.1%, from $9.1 million in 2013 to $6.5 million in 2014 primarily due to the lower interest income of EDC, FGPC, and FGP. The lower interest income on their investments and short-term placements was due to the lower weighted average interest rates and lower cash balances in 2014 compared to 2013.

Interest expense and financing charges

Interest expense and financing charges increased by $18.1 million, or 12.1%, from $149.4 million in 2013 to $167.5 million in 2014. 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. The partially-drawn portion of FNPC's loan amounting to $85.4 million as well as Burgos' ₱2.7 billion bridge loans, which were acquired last July and August 2014, further increased interest expense in 2014. This increase 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

In 2014, First Gen recognized unrealized foreign exchange losses of $1.7 million, significantly less than the $34.9 million unrealized losses booked in 2013. This was primarily due to the decrease in foreign exchange losses on the translation of the long-term foreign loans of EDC and its subsidiaries ($2.3 million in 2014 compared to a $29.9 million in 2013). The variance was brought about by the lower depreciation of the Philippine Peso in 2014 (from ₱44.395:$1.00 as of end-2013 to ₱44.720:$1.00 as of end-2014) compared to the significant depreciation of the Philippine Peso in 2013 (from ₱41.050:$1.00 as of end-2012 to ₱44.395:$1.00 as of end-2013).

Mark-to-market (MTM) gain on derivatives – net / MTM gain on financial assets at fair value through profit or loss (FVPL)

The $0.4 million combined increase in the MTM gain on derivatives and MTM gain on financial assets at FVPL pertains entirely to the unrealized and realized derivative gains arising from EDC's foreign currency forward contracts that it entered into with various banks, and its fund investment with a bank.

Others

Other income (charges) account increased significantly mainly due to the following factors:

- the reversal of a previous impairment provision on EDC's NNGP plant assets amounting to $46.3 million following the operation of the Nasulo plant where some of NNGP's assets were transferred and installed;
- the receipt of insurance claims of FGP and EDC amounting to $14.9 million and $12.1 million, respectively;
- recognized gain on the sale of drilling rigs and some inventory materials by EDC totaling to $10.6 million; and
- the partial reversal on EDC's damaged assets caused by Typhoon Yolanda amounting to $1.0 million in 2014, as compared to the $28.4 million in losses booked in 2013 relating to the damaged assets of EDC following the storm and the impairment loss on EDC's evaluation and exploration assets.

EDC booked partial insurance claims relating to the damages sustained by the Leyte plants due to Super Typhoon Yolanda, by the Palinpinon plant due to Typhoon Sendong, and by the BacMan plant due to Typhoon Glenda, 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 $16.3 million, or 26.4%, from $61.7 million in 2013 to $78.0 million in 2014 due to the higher taxable income of First Gen's subsidiaries and higher provision for deferred income tax of EDC resulting from the reversal of EDC's deferred tax assets following the reversal of the previous impairment provision of the NNGP plant assets.

Net Income

First Gen's consolidated net income increased by $150.5 million, or 89.8%, from $167.6 million for the year ended December 31, 2013 to $318.1 million during the same period in 2014. 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 (ex-FG Hydro) by $157.6 million, or 172.7%, primarily due to the reversal of a previous impairment provision on its NNGP plant assets amounting to $46.4 million, lower unrealized foreign exchange losses booked in 2014, higher income contribution from BGI, Nasulo and Mindanao, partial insurance claims received, and a one-time gain on sale of its drilling rigs and some inventory materials. These increases were partially offset by higher interest expenses due to 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, and bridge loans amounting to ₱2.7 billion availed by EDC and the partial drawdown of loans by FNPC in 2014;

- higher net income contribution of FGP by $34.5 million, or 179.3%, due to a 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, and the partial receipt of proceeds from insurance claims; and,

- higher net income contribution of FGPC by $5.0 million, or 8.0%, mainly due to lower interest expenses following the scheduled principal payments of its loans and the benefit from deferred income taxes it recognized in 2014.

The increase in consolidated net income was partially offset by the lower contribution of FG Hydro by $22.6 million, or 65.0%, in 2014 due to its lower electricity generation and the revenue adjustment for its November and December 2013 billings, and an increase in the Parent Company's expenses by $15.6 million primarily due to the full-year effect of interest expense on its $300.0 million fixed-rate bond issued last October 2013. This was further offset by $8.4 million in 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 $75.1 million, or 63.6%, to $193.2 million for the year ended December 31, 2014, compared to the $118.1 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 (ex-FG Hydro) by $78.9 million, or 161.8%, mainly due to the reversal of a previous impairment provision on its NNGP plant assets, lower unrealized foreign exchange losses booked in 2014, higher income contribution from BGI, Nasulo and Mindanao, partial insurance claims received, and a one-time gain on sale of its drilling rigs and some inventory materials. These increases were partially offset by higher interest expenses due to 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, and bridge loans amounting to ₱2.7 billion availed by EDC in 2014;

- higher net income contribution of FGP by $34.5 million, or 179.3%, due to a 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 partial receipt of proceeds from insurance claims; and,

- higher net income contribution of FGPC by $5.0 million, or 8.0%, mainly due to lower interest expenses following the scheduled principal payments of its loans.

The above items were partially offset by the lower contribution of FG Hydro by $19.4 million, or 69.4%, due to its lower electricity generation and the revenue adjustment for its November and December 2013 billings, increase in the Parent Company's expenses by $15.6 million due to the full-year effect of interest expense on its $300.0 million fixed-rate bond issued last October 2013. This was further offset by $8.4 million in 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 $153.3 million for the year ended December 31, 2014. This was $2.1 million, or 1.4%, higher than the recurring net income of $151.2 million in 2013. The increase was mainly due to the higher recurring income contribution of EDC and FGP. The increase was partially offset by 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	2014	2013 (As adjusted)
Net income attributable to the Parent Company	$193,155	$118,077
Adjustment of non-recurring items attributable to the Parent Company:		
Insurance proceeds – FGP	(12,202)	(850)
Insurance proceeds – EDC	(6,086)	-
EDC's reversal of impairment provision on NNGP plant assets	(23,161)	-
EDC's input VAT claims written off	2,643	2,597
EDC's gain on sale of rigs and some inventory materials	(5,315)	-
EDC's reversal of (loss on) impairment of damaged assets due to Typhoon Yolanda	(513)	7,377
EDC's loss on impairment of exploration and evaluation assets	–	6,785
FG Hydro's revenue adjustment due to re-computation of spot prices for Nov. and Dec. 2013 billings	3,941	(3,941)
Movement in deferred income tax of FGPC, FGP, and Blue Vulcan	(2,097)	4,467
Movement in deferred income tax of EDC	2,699	(3,029)
Unrealized foreign exchange loss (gain) of FGPC, FGP, FNPC and Parent	(553)	4,669
Unrealized foreign exchange loss of EDC, FG Hydro, and Red Vulcan	1,189	15,207
MTM gain on derivatives/financial assets at FVPL of EDC	(352)	(168)
Recurring Net Income attributable to Parent Company	**$153,348**	**$151,191**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

(Amounts in US$ and in Thousands)	As of the years ended December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2014	2013	2014 vs. 2013	2014 vs. 2013	2014	2013
ASSETS						
Current Assets						
Cash and cash equivalents	$673,893	$870,253	-$196,360	-22.6%	12.7%	17.7%
Receivables	386,985	334,847	52,138	15.6%	7.3%	6.8%
Inventories	98,675	109,723	(11,048)	-10.1%	1.9%	2.2%
Other current assets	59,672	61,355	(1,683)	-2.7%	1.1%	1.2%
Total Current Assets	**1,219,225**	**1,376,178**	**(156,953)**	**-11.4%**	**23.1%**	**28.0%**
Noncurrent Assets						
Property, plant and equipment – net	2,523,991	2,059,215	464,776	22.6%	47.7%	41.9%
Goodwill and Intangible assets	1,207,514	1,226,835	(19,321)	-1.6%	22.8%	25.0%
Deferred income tax assets – net	27,874	34,791	(6,917)	-19.9%	0.5%	0.7%
Other noncurrent assets	308,671	217,075	91,596	42.2%	5.8%	4.4%
Total Noncurrent Assets	**4,068,050**	**3,537,916**	**530,134**	**15.0%**	**76.9%**	**72.0%**
TOTAL ASSETS	**$5,287,275**	**$4,914,094**	**$373,181**	**7.6%**	**100.0%**	**100.0%**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	$366,909	$357,563	$9,346	2.6%	6.9%	7.3%
Dividends payable	20,056	20,202	(146)	-0.7%	0.4%	0.4%
Income tax payable	8,898	2,314	6,584	284.5%	0.2%	0.0%
Due to related parties	146	258	(112)	-43.4%	0.0%	0.0%
Loans payable	-	53,829	(53,829)	-100.0%	0.0%	1.1%
Current portion of:						
Long-term debts	332,269	124,473	207,796	166.9%	6.3%	2.5%
Derivative liabilities	421	12	409	3408.3%	0.0%	0.0%
Total Current Liabilities	**728,699**	**558,651**	**170,048**	**30.4%**	**13.8%**	**11.4%**
Noncurrent Liabilities						
Long-term debts – net of current portion	2,512,769	2,492,144	20,625	0.8%	47.5%	50.7%
Derivative liabilities – net of current portion	32,926	34,579	(1,653)	-4.8%	0.6%	0.7%
Retirement and other post-employment benefits	40,409	40,469	(60)	-0.1%	0.8%	0.8%
Deferred income tax liabilities – net	20,381	22,946	(2,565)	-11.2%	0.4%	0.5%
Other noncurrent liabilities	39,485	35,438	4,047	11.4%	0.7%	0.7%
Total Noncurrent Liabilities	**2,645,970**	**2,625,576**	**20,394**	**0.8%**	**50.0%**	**53.4%**
Total Liabilities	**3,374,669**	**3,184,227**	**190,442**	**6.0%**	**63.8%**	**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%	19.9%	21.4%
Accumulated unrealized gain on Available-for-sale (AFS) financial assets	354	344	10	2.9%	0.0%	0.0%
Cumulative translation adjustments	8,283	(19,909)	28,192	-141.6%	0.2%	-0.4%
Equity reserve	(372,439)	(365,496)	(6,943)	1.9%	-7.0%	-7.4%
Retained earnings	737,525	600,974	136,551	22.7%	13.9%	12.2%
Cost of common stock held in treasury	(71,997)	(62,253)	(9,744)	15.7%	-1.4%	-1.3%
Sub-total	1,498,081	1,350,015	148,066	11.0%	28.3%	27.5%
Non-controlling Interests	414,525	379,852	34,673	9.1%	7.8%	7.7%
Total Equity	**1,912,606**	**1,729,867**	**182,739**	**10.6%**	**36.2%**	**35.2%**
TOTAL LIABILITIES AND EQUITY	**$5,287,275**	**$4,914,094**	**$373,181**	**7.6%**	**100.0%**	**100.0%**
	-	-	-	-	-	-

Cash and cash equivalents
Cash and cash equivalents decreased by $196.4 million, or 22.6%, to $673.9 million as of December 31, 2014 compared to $870.3 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 $52.1 million, or 15.6%, from $334.8 million as of December 31, 2013 to $387.0 million as of December 31, 2014. This was primarily a result of the higher trade receivables of EDC following the commercial operations of BacMan, Nasulo and Burgos, and higher receivables of FGP from Meralco due to the resumption of Unit 60's operations.

Inventories
Ending inventory as of December 31, 2014 stood at $98.7 million, which was lower by $11.0 million, or 10.1%, compared to the $109.7 million balance at the beginning of the year. This was primarily due to the consumption of liquid fuel by FGPC and FGP during the Malampaya gas curtailments that occurred during the year.

Other current assets
Other current assets slightly decreased by $1.7 million, or 2.7%, from $61.4 million as of December 31, 2013 to $59.7 million as of December 31, 2014. The decrease was mainly due to the $7.7 million decrease in EDC's available-for-sale (AFS) financial assets following the full redemption of its ROP bonds last January 15, 2014, the $6.6 million decrease in First Gen's prepaid expense, and the $6.5 million lower prepaid tax of EDC. The decrease was partially offset by First Gen's higher input VAT resulting from its purchases during the year, and EDC's fund investment amounting to $11.7 million.

Property, plant, and equipment
As of December 31, 2014, property plant and equipment stood at $2,524.0 million. This was $464.8 million, or 22.6%, greater than the balance at the beginning of the year. The increase was primarily due to the construction of the Burgos, Nasulo, San Gabriel and Avion power plants, Unified Leyte's additions to property, plant and equipment following the damage caused by Typhoon Yolanda. 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 $6.9 million, or 19.9%, to $27.9 million as of December 31, 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 reversal of a previous impairment provision of the NNGP plant assets.

Other noncurrent assets
This account increased by $91.6 million, or 42.2%, to $308.7 million as of December 31, 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 year 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 reclassification of EDC's TCCs from the current portion, deferred DIC from the undrawn amount of FNPC's loan, higher exploration and evaluation assets of EDC mainly due to the development costs incurred in the Mindanao III, Nasulo and Rangas areas, and higher input VAT resulting from EDC's purchases during the year.

Accounts payable and accrued expenses
Accounts payable and accrued expenses increased by $9.3 million, or 2.6%, to $366.9 million as of December 31, 2014 primarily due to the higher payables of FGPC and FGP to the Gas Sellers, following the greater consumption of natural gas in December 2014 compared to December 2013. This was further increased by FGP's higher payables to SPO due to San Lorenzo's higher plant O&M expenses in 2014 as a result of Unit 60's return to operations. This was partially offset by the lower payables to liquid fuel suppliers as a result of FGP's and FGPC's full payment of the November 2013 liquid fuel importation, as well as FNPC's payments to Siemens for the milestone payments in relation to the San Gabriel project.

Income tax payable
As of December 31, 2014, income tax payable stood at $8.9 million. The $6.6 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, FGP, EDC, and its subsidiaries resulting from the higher taxable income of each company in 2014.

Due to related parties
The $0.1 million, or 43.4%, decrease in this account from the ending balance as of December 31, 2013 was a result of payments made during the year.

Loans payable
As of December 31, 2014, First Gen's loans payable stood at nil. The $53.8 million decrease was a result of FGPC's and FGP's full 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 119 days at the same rate. The proceeds were used to pay the liquid fuel purchased in September 2013.

Long-term debt – current portion
This current portion of long-term debt pertains to the portion of debt that will be due within the next 12 months. The $207.8 million increase was mainly due to EDC's ₱8.5 billion Peso Public Bond that will mature on June 4, 2015. The account was further brought up by the higher current portion of the loans of FGPC, FGP, Red Vulcan, FG Hydro, and the Parent Company.

Derivative liabilities – current portion
The $0.4 million increase in derivative liabilities from the $0.01 million at the start of 2014 was due to the slightly unfavorable movements in EDC's derivative instruments.

Long-term debt – net of current portion
Long-term debt slightly increased by $20.6 million, or 0.8%, from $2,492.1 million at the beginning of the year to $2,512.7 million as of December 31, 2014. This was mainly due to the partial drawdown of a new loan drawn by FNPC of $85.4 million, EDC's additional $80.0 million, ₱4.0 billion and ₱3.0 billion term-loans issued in 2013, and EDC's $276.3 million project financing loan for Burgos issued last October 2014. The increase was partially offset by the reclassification of the maturing obligations to the current portion on the outstanding debt of FGPC, FGP, Red Vulcan, EDC and its subsidiaries, and the Parent Company.

Deferred income tax liabilities – net
Deferred income tax liabilities decreased by $2.6 million, or 11.2%, to $20.4 million as of December 31, 2014, primarily from the deferred income tax benefit for the year of FGPC, Goldsilk and EDC. The decrease was partially offset by the deferred income tax on MTM gains.

Other noncurrent liabilities
Other noncurrent liabilities increased by $4.0 million, or 11.4%, from $35.4 million at the beginning of the year to $39.4 million as of December 31, 2014. The increase was primarily due to the additional accretion for the ARO of EDC and the gas plants.

Cumulative translation adjustments
The $28.2 million, or 141.6%, 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 derivative instruments of FGPC, FGP and EDC, which were designated as cash flow hedges.

Retained earnings
First Gen's retained earnings increased by $136.5 million, or 22.7%, from $601.0 million as of December 31, 2013 to $737.5 million as of December 31, 2014. The increase was due to the attributable earnings of the Company in 2014 of $193.2 million, which was partially offset by dividends declared in 2014 to preferred and common shareholders amounting to $39.9 million and $26.3 million, respectively.

Cost of common stock held in treasury
The increase in the cost of common stock held in treasury by $9.7 million, or 15.7%, 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 $34.7 million, or 9.1%, to $414.5 million as of December 31, 2014 due to its share in the net earnings of EDC and its subsidiaries during the year. This was partially offset by the minority's share in the dividends declared by EDC.

FIRST GEN MATERIAL CHANGES IN FINANCIAL CONDITION (December 31, 2013 vs. 2012)

CONSOLIDATED STATEMENTS OF INCOME

Horizontal and Vertical Analyses of Material Changes for the years ended December 31, 2013 vs. 2012

			HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2013	2012 (As restated)	2013 vs. 2012	2013 vs. 2012	2013	2012 (As restated)
Revenues from sale of electricity	$1,904,919	$2,060,229	($155,310)	-7.5%	100.0%	100.0%
TOTAL REVENUES	**1,904,919**	**2,060,229**	**(155,310)**	**-7.5%**	**100.0%**	**100.0%**
OPERATING EXPENSES						
Costs of sale of electricity	(1,301,315)	(1,374,641)	73,326	-5.3%	-68.3%	-66.7%
General and administrative expenses	(169,216)	(175,583)	6,367	-3.6%	-8.9%	-8.5%
Sub-total	(1,470,531)	(1,550,224)	79,693	-5.1%	-77.2%	-75.2%
FINANCIAL INCOME (EXPENSE)						
Interest income	9,133	13,850	(4,717)	-34.1%	0.5%	0.7%
Interest expense and financing charges	(149,365)	(173,736)	24,371	-14.0%	-7.8%	-8.4%
Sub-total	(140,232)	(159,886)	19,654	-12.3%	-7.4%	-7.8%
OTHER INCOME (CHARGES)						
Foreign exchange gains (losses) – net	(34,894)	23,745	(58,639)	-247.0%	-1.8%	1.2%
Loss on impairment of damaged assets due to Typhoon Yolanda	(14,810)	-	(14,810)	100.0%	-0.8%	0.0%
Loss on impairment of exploration and evaluation assets	(13,621)	-	(13,621)	100.0%	-0.7%	0.0%
Mark-to-market gain on derivatives – net	337	259	78	30.1%	0.0%	0.0%
Proceeds from insurance claims of EDC and FGP	1,037	-	1,037	100.0%	0.1%	0.0%
Recovery on impairment of property, plant and equipment	-	1,499	(1,499)	-100.0%	0.0%	0.1%
Others – net	(2,891)	(5,083)	2,192	-43.1%	-0.2%	-0.2%
Sub-total	(64,842)	20,420	(85,262)	-417.5%	-3.4%	1.0%
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**229,314**	**370,539**	**(141,225)**	**-38.1%**	**12.0%**	**18.0%**
Provision for (benefit from) Income Tax						
Current	63,313	60,973	2,340	3.8%	3.3%	3.0%
Deferred	(1,594)	(2,146)	552	-25.7%	-0.1%	-0.1%
	61,719	58,827	2,892	4.9%	3.2%	2.9%
NET INCOME FROM CONTINUING OPERATIONS	167,595	311,712	(144,117)	-46.2%	8.8%	15.1%
NET INCOME FROM DISCONTINUED OPERATIONS	-	2,297	(2,297)	-100.0%	0.0%	0.1%
NET INCOME	**$167,595**	**$314,009**	**($146,414)**	**-46.6%**	**8.8%**	**15.2%**
Net income attributable to:						
Equity holders of the Parent Company	$118,077	$189,834	($71,757)	-37.8%	6.2%	9.2%
Non-controlling Interests	$49,518	$124,175	($74,657)	-60.1%	2.6%	6.0%

Revenues

Revenues for the year ended December 31, 2013 decreased by $155.3 million, or 7.5%, to $1,904.9 million in 2013 as compared to $2,060.2 million for the same period in 2012. The decrease was mainly due to lower fuel revenues during the year, which decreased by $74.6 million, or 7.1%, to $969.3 million in 2013 from $1,043.9 million during the same period in 2012. The decrease in fuel revenues was a result of the temporary shutdown of San Lorenzo's Unit 60 following the fire that occurred at its main transformer last

May 28, 2013 (the "May 28 Incident"), as well as the lower gas prices (from an average of $13.4/MMBtu in 2012 to an average of $12.8/MMBtu in 2013). This was further reduced by the decline in capacity charge by $11.1 million, or 5.0%, and fixed O&M charges, by $4.3 million, or 6.5%, due to the lower average NDC resulting from the temporary shutdown of San Lorenzo's Unit 60.

FG Hydro's revenues also declined by $52.7 million, or 47.1%, to $59.3 million in 2013 from $112.0 million in 2012 primarily due to lower ancillary sales volume resulting from the tempered demand of the NGCP, lower sales from the spot market as a result of the lower average Wholesale Electricity Spot Market (WESM) prices and low IDR during the year.

Revenues from EDC (ex-FG Hydro) declined by $8.7 million, or 1.6%, as a result of lower revenues from Unified Leyte and Tongonan plants due to plant facility damages caused by Typhoon Yolanda. This decrease was partially offset by the increase in GCGI's revenues due to higher sales volume and higher average tariff, and the revenues from generated electricity of BacMan 2 Unit 3.

Costs of sale of electricity

The costs of sale of electricity for the year ended December 31, 2013 decreased by $73.3 million, or 5.3%, to $1,301.3 million in 2013 as compared to $1,374.6 million for the same period in 2012. 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 $74.1 million, or 7.1%, to $969.8 million in 2013 as compared to $1,043.9 million in 2012. This was primarily due to lower average gas prices in 2013 ($12.8/MMBtu) as compared to the same period in 2012 ($13.4/MMBtu) and was further reduced by the lower electricity generated during the year due to the scheduled major outages of Santa Rita and San Lorenzo and the May 28 Incident that likewise affected the San Lorenzo plant.

Power plant operations and maintenance
Expenses relating to power plant O&M decreased by $0.3 million, or 0.2%, to $151.5 million in 2013 as compared to $151.8 million in 2012. This was primarily a result of the lower plant O&M costs incurred by EDC due to the absence of civil works costs incurred in Palinpinon in 2012 to repair the damages caused by Typhoon Sendong. This was further reduced by lower fixed O&M expense resulting from lower average NDC due to the May 28 incident, and by the lower O&M expense by FG Hydro due to lower generation. These decreases were almost entirely offset by higher variable O&M fees by the gas plants due to lower capitalized O&M fees in 2013 as compared to 2012.

Capitalized variable O&M fees reduce the variable O&M fees expense reported in the income statement. Relative to 2012, the capitalized variable O&M fees were lower following the completion of the scheduled major maintenance outage of Santa Rita.

General and Administrative Expenses

G&A expenses decreased by $6.4 million, or 3.6%, due to the decline in taxes, licenses, and insurance costs by $14.2 million, the absence of separation costs recognized by EDC for the Early Retirement and Manpower Reduction Programs (ERP/MRP), and the absence of costs incurred in 2012 related to the BG acquisition. The decreases were partially offset by the $8.4 million increase in professional fees mostly due to the fees paid for the San Gabriel project and the increase in the purchased services of EDC.

Interest income

Interest income decreased by $4.7 million, or 34.1%, to $9.1 million in 2013 as compared to $13.9 million during the same period in 2012. The reduction in interest income was primarily a result of the absence of interest income from the advances previously made to BG following the purchase of BG's non-controlling stake in the First Gas Group by Blue Vulcan in May 2012. EDC also booked lower interest income on its investments and short-term placements due to lower average investable funds and lower interest rates in the market in 2013.

FGPC booked interest income from the advances it made to the Parent Company and to BG. Prior to the acquisition of BG's non-controlling interest in the First Gas Group, only the interest income from the advances made to the Parent Company was eliminated during consolidation. However, with the acquisition in May 2012, the interest income from advances previously made to BG is now likewise eliminated and has resulted in lower interest income on a consolidated basis.

Interest expense and financing charges

Interest expense and financing charges decreased by $24.4 million, or 14.0%, to $149.3 million in 2013 from $173.7 million in 2012. The lower expense was mainly a result of the full prepayment of the Parent Company's Term Loan Facility from a consortium of banks amounting to $142.0 million, and the Dual Currency Loan Facility with BDO amounting to $83.7 million. This was further reduced by the prepayment of the Blue Vulcan loan amounting to $25.0 million, lower interest charges on the refinanced loans of EDC and FG Hydro, the full redemption of the Convertible Bonds at maturity on February 11, 2013, and the scheduled principal payments on the loans of FGPC, FG Hydro, EDC, and Red Vulcan. These were partially offset by the increased interest expense of FGP, EDC, and the Parent Company, following the $420.0 million refinancing of loans by FGP, the issuance of the ₱7.0 billion fixed rate bond in May 2013 by EDC, and the $300.0 million bonds issued in October 2013 by the Parent Company.

Foreign exchange gains (losses) – net

In 2013, First Gen recognized unrealized foreign exchange losses of $34.9 million, a reversal from the $23.7 million unrealized foreign exchange gains booked in 2012. This was primarily due to the foreign exchange losses of EDC, which booked losses of $30.2 million in 2013 compared to a $25.1 million gain in 2012. The variance was brought about by the effect of the depreciation of the Philippine Peso in 2013 (from ₱41.05:$1.00 as of end-2012 to ₱44.395:$1.00 as of December 31, 2013) on the translation of EDC's long-term foreign loans, compared to the appreciation of the Philippine Peso in 2012 (from ₱43.84:$1.00 as of end-2011 to ₱41.05:$1.00 as of December 31, 2012).

Mark-to-market gain on derivatives – net

The variance of $0.08 million or 30.1% MTM gain on derivatives pertain to the realized gains arising from EDC's foreign currency forward contracts that it entered into with various banks.

Others

Other expenses increased by $26.7 million, or 745.1%, to $30.3 million in 2013 from $3.6 million during the same period in 2012 primarily due to the damages caused by Typhoon Yolanda resulting to a $14.8 million de-recognition of PPE and impairment of inventories. This was further increased by the $13.6 million impairment of exploration and evaluation assets pertaining to the Mt. Cabalian project.

Provision for (benefit from) Income Tax

The higher provision for income tax by $2.9 million, or 4.9%, to $61.7 million in 2013 was due to the higher income tax provisions for FGPC and FGP, partially offset by the lower income tax provisions for EDC.

The increase in the income tax provisions for FGPC and FGP was mainly due to the reversal of the deferred tax benefits recognized in 2012 amounting to $9.4 million to a deferred tax expense in 2013 amounting to $4.7 million. The movement in the deferred tax provisions resulted mainly from the depreciation of the Philippine Peso in 2013 (from ₱41.05:$1.00 as of end-2012 to ₱44.395:$1.00 as of December 31, 2013).

EDC's tax expense decreased by $6.5 million due mostly to the reversal of deferred tax expense in 2012 amounting to $7.0 million, to a deferred tax benefit of $6.1 million in 2013. This was partially offset by higher taxable income from GCGI and BGI, as well as the lower operating expenses by the EDC parent.

Net income from discontinued operations

The $2.3 million decrease pertains to EDC's income from its drilling services in Lihir, Papua New Guinea, which were discontinued in October 2012.

Net Income

First Gen's consolidated net income decreased by $146.4 million, or 46.6%, to $167.6 million in 2013 from $251.8 million during the same period in 2012. The decrease in net income was a result of the net movements of the following items:

- lower net income contribution of EDC by $79.1 million, or 47.5%, due to lower revenues and impairment losses recognized in Unified Leyte and Tongonan plants as a result of the damages

caused by Typhoon Yolanda, the impairment of the exploration and evaluation assets pertaining to the Mt. Cabalian project, and the unrealized foreign exchange losses in the translation of EDC's long-term foreign debt due to the depreciation of the Philippine Peso against the U.S. dollar in 2013. These decreases were partially offset by the increase in GCGI's revenues due to higher sales volume and higher average tariff, the revenues from generated electricity of BacMan 2 Unit 3, and the lower interest expense on the refinanced loans of EDC;

- lower net income contribution of FGP and FGPC by $46.3 million, or 36.1%, resulting from the lower average capacity and dispatch of San Lorenzo due to the May 28 Incident and higher administrative expenses, partially offset by the full-year earnings contribution from the purchase of the BG stake in 2013, as compared to the seven-month earnings contribution in 2012; and

- lower net income contribution of FG Hydro by $45.5 million, or 56.7%, due to the lower ancillary sales volume resulting from the tempered demand of NGCP, lower sales from the spot market as a result of the lower average WESM prices and low IDR during the year, partially offset by the lower interest expense on the amended loan of FG Hydro.

The above items were partly offset by favorable movements of the following accounts:

- lower expenses of the Parent Company by $13.0 million, or 31.0%, primarily due to the prepayment of its $142 million Term Loan, its Dual Currency Loan, and the full redemption of its Convertible Bonds;

- lower expenses of Red Vulcan and Prime Terracota totaling $5.7 million mainly due to the constant debt repayment of Red Vulcan, and the absence of the capital restructuring expenses incurred by Prime Terracota and Red Vulcan in 2013; and,

- lower expenses of FGHC and Blue Vulcan, by $3.2 million, or 55.6%, due to the absence of G&A expenses related to the BG acquisition and the prepayment of the Blue Vulcan loan.

Net Income Attributable to Equity Holders of the Parent Company

For the year ended December 31, 2013, net income attributable to the Parent Company decreased to $118.1 million, which was $71.7 million, or 37.8%, lower than the $189.8 million that was recognized in 2012. The decrease in attributable net income was mainly due to the movements in the contributions of the following subsidiaries:

- lower net income from EDC's geothermal assets by $35.0 million, or 42.9%, due to lower revenues and the $7.4 million attributable impairment charges on PPE and inventories resulting from the damages caused by Typhoon Yolanda, and the booking of a $14.9 million attributable unrealized foreign exchange loss due to the depreciation of the Philippine Peso (which resulted in the reversal of the attributable foreign exchange gains of $12.2 million in 2012 to an attributable loss of $14.9 million in 2013);

- lower net income from FG Hydro by $32.0 million, or 53.5%, primarily due to lower revenues from ancillary services as well as lower sales to the spot market resulting from the lower average WESM prices and low IDR during the year;

- lower net income contribution of FGP and FGPC by $24.7 million, or 23.2%, resulting from the lower average capacity and dispatch of San Lorenzo due to the May 28 Incident and higher administrative expenses, partially offset by the full-year 2013 earnings contribution from the purchased BG stake, as compared to the seven-month earnings contribution in 2012; and,

- higher expense of FNPC by $1.8 million, or 385.3%, due to professional expenses related to the gas projects

The above items were partly offset by the favorable movements in the following accounts:

- lower expenses of the Parent Company by $13.0 million, or 31.0%, primarily due to the prepayment of its $142 million Term Loan, its Dual Currency Loan, the full redemption of its Convertible Bonds;

- lower expenses of Red Vulcan and Prime Terracota totaling to $5.7 million mainly due to the constant debt repayment of Red Vulcan, and the absence of the capital restructuring expenses incurred by Prime Terracota and Red Vulcan in 2013; and,

- lower expenses of FGHC and Blue Vulcan by $3.2 million, or 55.6%, due to the absence of expenses related to the BG acquisition and the prepayment of the Blue Vulcan loan.

Adjusting for non-recurring items such as the recognition of $7.4 million losses on damaged assets due to Typhoon Yolanda, the recognition of $6.8 million impairment losses on the exploration and evaluation assets, FG Hydro's revenue adjustment, Input VAT claim write-offs, 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 $151.2 million in 2013. This was $22.7 million, or 13.1%, lower than the recurring net income of $173.9 million during the same period in 2012. The decrease was due to the lower income of FG Hydro as a result of lower revenues from ancillary services and sales to the spot market, the lower revenues from EDC (ex-hydro) due to the damages in Unified Leyte and Tongonan plants caused by the Typhoon Yolanda, and the lower contribution of FGP due to the temporary shutdown of San Lorenzo's Unit 60 following the May 28, 2013 Incident. These decreases were partially offset by the reduced interest expense of the Parent Company and Red Vulcan.

Amount in USD thousands	**2013 (As restated)**	**2012 (As restated)**
Net income attributable to the Parent Company	$118,077	$189,834
Adjustment of non-recurring items attributable to the Parent Company:		
Loss on damaged assets due to Typhoon Yolanda	7,377	–
Loss on impairment of exploration and evaluation assets	6,785	–
Input VAT claims of EDC written-off	2,597	–
Gain on FGP insurance claim	(850)	–
FG Hydro's revenue adjustment due to re-computation of spot prices for Nov. and Dec. 2013 billings	(3,941)	–
Return on investment of FPPC	–	(261)
Movement in deferred income tax of FGPC, FGP and Blue Vulcan	4,467	(7,681)
Movement in deferred income tax of EDC and FG Hydro	(3,029)	3,352
Unrealized foreign exchange losses of FGPC, FGP, FNPC and Parent	4,669	1,334
Unrealized foreign exchange losses (gains) of EDC, FG Hydro and Red Vulcan	15,207	(12,417)
MTM gain on derivatives of FGPC, FGP, and Parent Company	–	(258)
MTM gain on derivatives of EDC	(168)	–
Recurring Net Income attributable to the Parent Company	**$151,191**	**$173,903**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Horizontal and Vertical Analyses of Material Changes as of December 31, 2013 and December 31, 2012

	As of the years ended December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
(Amounts in US$ and in Thousands)	**2013**	**2012 (As restated)**	**2013 vs. 2012**	**2013 vs. 2012**	**2013**	**2012 (As restated)**
ASSETS						
Current Assets						
Cash and cash equivalents	$870,253	$633,011	$237,242	37.5%	17.7%	13.4%
Receivables	334,847	294,388	40,459	13.7%	6.8%	6.2%
Inventories	109,723	126,339	(16,616)	-13.2%	2.2%	2.7%
Other current assets	61,355	44,286	17,069	38.5%	1.2%	0.9%
Total Current Assets	**1,376,178**	**1,098,024**	**278,154**	**25.3%**	**28.0%**	**23.3%**
Noncurrent Assets						
Property, plant and equipment – net	2,059,215	1,963,127	96,088	4.9%	41.9%	41.6%
Goodwill and Intangible assets	1,226,835	1,350,630	(123,795)	-9.2%	25.0%	28.7%
Deferred income tax assets – net	34,791	36,226	(1,435)	-4.0%	0.7%	0.8%
Other noncurrent assets	217,075	265,514	(48,439)	-18.2%	4.4%	5.6%
Total Noncurrent Assets	**3,537,916**	**3,615,497**	**(77,581)**	**-2.1%**	**72.0%**	**76.7%**
TOTAL ASSETS	**$4,914,094**	**$4,713,521**	**$200,573**	**4.3%**	**100.0%**	**100.0%**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	$357,563	$359,044	($1,481)	-0.4%	7.3%	7.6%
Dividends payable	20,202	21,849	(1,647)	-7.5%	0.4%	0.5%
Income tax payable	2,314	7,435	(5,121)	-68.9%	0.0%	0.2%
Due to related parties	258	144	114	79.2%	0.0%	0.0%
Loans payable	53,829	-	53,829	100.0%	1.1%	0.0%
Current portion of:						
Long-term debts	124,473	122,122	2,351	1.9%	2.5%	2.6%
Derivative liabilities	12	2,081	(2,069)	-99.4%	0.0%	0.0%
Convertible bonds	-	72,578	(72,578)	-100.0%	0.0%	1.5%
Total Current Liabilities	**558,651**	**585,253**	**(26,602)**	**-4.5%**	**11.4%**	**12.4%**
Noncurrent Liabilities						
Long-term debts – net of current portion	2,492,144	2,163,986	328,158	15.2%	50.7%	45.9%
Derivative liabilities – net of current portion	34,579	61,156	(26,577)	-43.5%	0.7%	1.3%
Retirement and other post-employment benefits	40,469	35,565	4,904	13.8%	0.8%	0.8%
Deferred income tax liabilities – net	22,946	16,384	6,562	40.1%	0.5%	0.3%
Other noncurrent liabilities	35,438	29,283	6,155	21.0%	0.7%	0.6%
Total Noncurrent Liabilities	**2,625,576**	**2,306,374**	**319,202**	**13.8%**	**53.4%**	**48.9%**
Total Liabilities	**3,184,227**	**2,891,627**	**292,600**	**10.1%**	**64.8%**	**61.3%**
Equity Attributable to Equity Holders of the Parent Company						
Redeemable preferred stock	69,345	69,345	-	0.0%	1.4%	1.5%
Common stock	74,728	74,715	13	0.0%	1.5%	1.6%
Additional paid-in capital	1,052,282	1,052,180	102	0.0%	21.4%	22.3%
Accumulated unrealized gain on Available-for-sale (AFS) financial assets	344	647	(303)	-46.8%	0.0%	0.0%
Cumulative translation adjustments	(19,909)	62,920	(82,829)	-131.6%	-0.4%	1.3%
Equity reserve	(365,496)	(357,209)	(8,287)	2.3%	-7.4%	-7.6%
Retained earnings	600,974	566,290	34,684	6.1%	12.2%	12.0%
Cost of common stock held in treasury	(62,253)	(59,235)	(3,018)	5.1%	-1.3%	-1.3%
Sub-total	1,350,015	1,409,653	(59,638)	-4.2%	27.5%	29.9%
Non-controlling Interests	379,852	412,241	(32,389)	-7.9%	7.7%	8.7%
Total Equity	**1,729,867**	**1,821,894**	**(92,027)**	**-5.1%**	**35.2%**	**38.7%**
TOTAL LIABILITIES AND EQUITY	**$4,914,094**	**$4,713,521**	**$200,573**	**4.3%**	**100.0%**	**100.0%**
	-	-	-	-	-	-

Cash and cash equivalents
Cash and cash equivalents increased by $237.2 million, or 37.5%, to $870.2 million as of December 31, 2013 compared to $633.0 million in December 31, 2012. The increase was primarily due to cash generated from operations, the issuance of the $300.0 million bond by the Parent Company, the issuance of the ₱7.0 billion fixed-rate bond of EDC in May 2013, the proceeds from the $80.0 million term loan, which EDC drew in December 2013. These increases were partially offset by the settlement of the remaining Convertible Bonds at maturity in February 2013, the scheduled principal and interest payments on the loans, the expenditures made in relation to the growth projects, the purchase of additional liquid fuel, the declaration of dividends by the Parent Company and the additional investment in EDC shares.

The Parent Company settled the remaining outstanding Convertible Bonds with a face value of $57.0 million (and carrying value of $72.0 million) at maturity on February 11, 2013.

Receivables
Receivables increased by $40.4 million, or 13.7%, to $334.8 million as of December 31, 2013 from $294.4 million as of December 31, 2012. The increase was due to the outstanding uncollected portion of the November and December billings of FGPC from Meralco. This was partially offset by lower trade receivables of FGP following the May 28 Incident and the lower trade receivables of EDC due to lower revenues of FG Hydro and the EDC parent.

Inventories
Ending inventory as of December 31, 2013 stood at $109.7 million. This was lower by $16.6 million, or 13.2%, compared to the balance at the beginning of the year primarily due to the consumption of liquid fuel by FGPC and FGP during the scheduled 30-day Malampaya outage in November and December 2013, and EDC's lower inventory due to withdrawals on various materials and supplies for plant maintenance, and an impairment loss recognized on damaged inventories due to Typhoon Yolanda.

Other current assets
Other current assets increased by $17.1 million, or 38.5%, to $61.4 million as of December 31, 2013 from $44.3 million as of December 2012. The increase was mainly due to the $5.1 million accumulation of input VAT in relation to the expenses incurred for the San Gabriel project, a $9.1 million increase in EDC's prepaid expense, and a $4.5 million increase in the AFS financial assets of EDC due to the reclassification from the noncurrent portion and proceeds from its redemption of ROP bonds. These increases were partially offset by a $5.1 million decline in the prepaid tax assets of FGP due to the application of TCCs following the importation of liquid fuel in 2013.

Property, plant, and equipment
The account increased by $96.1 million, or 4.9%, to $2,059.2 million as of December 2013 from $1,963.1 million as of December 2012. The increase was mainly due additions to PPE by EDC totaling $233.5 million mainly due to expenditures for the Burgos Wind project, BacMan's rehabilitation and maintenance, as well as the rehabilitation and maintenance of the Unified Leyte and Tongonan plants. This was further increased by the $35.5 million increase in the construction-in-progress account resulting from the expenditures related to the San Gabriel Project, the $13.5 million purchase of land for future gas projects, as well as the $29.0 million increase in machinery and equipment due to the reclassification of the prepaid major spare parts from "Other noncurrent assets" to this account following the completion of the scheduled major maintenance outages covering the 100,000 EOH of the Santa Rita and San Lorenzo power plants in 2013. The increases in PPE were partially offset by the $149.3 million depreciation expense during the year, as well as losses recognized on damaged assets caused by Typhoon Yolanda.

The Parent Company, through its wholly-owned subsidiary FNPC, signed on December 16, 2013 an equipment supply contract with Siemens AG and a construction services contract with Siemens, Inc., for the engineering, design, procurement, construction and completion of the 414 MW Unit 70 of the San Gabriel Project in Santa Rita, Batangas City. The 414 MW power plant is the first of three units of the planned 1,350 MW San Gabriel Project. The project has an estimated project cost of $600.0 million.

Goodwill and intangible assets
The account decreased by $123.8 million, or 9.2%, from $1,350.6 million at the beginning of the year to $1,226.8 million as of December 31, 2013. The decrease was primarily due to the lower dollar equivalent of the booked goodwill in EDC as a result of the movement in foreign exchange rates (from ₱41.05:$1.00 as of December 2012 to ₱44.395:$1.00 as of December 2013). The account was further reduced by the reclassification of EDC's wind project development costs to PPE following the issuance of the NTP by EDC to its wind farm contractor, Vestas, in June 2013. EDC's wind project development costs were previously booked under intangible assets prior to establishment of technical feasibility and commercial viability.

Other noncurrent assets
This account decreased by $48.4 million, or 18.2%, to $217.1 million as of December 2013 primarily due to the reclassification of prepaid major spare parts into PPE following the completion of the 100,000 EOH scheduled major maintenance outages of the Santa Rita and San Lorenzo power plants in 2013. The account was further reduced by EDC's input VAT claims that were written off in 2013, the $13.6 million loss recognized on the impairment of exploration and evaluation assets of EDC for its Mt. Cabalian project, and the reclassification of a portion of EDC's noncurrent AFS financial assets to the current portion. These decreases were partially offset by the increase in EDC's exploration and evaluation assets resulting from expenditures in the Mindanao III area.

Accounts payable and accrued expenses
Accounts payable and accrued expenses decreased by $1.5 million, or 0.4%, to $357.6 million as of December 31, 2013 as a result of the $48.8 million decline in EDC's trade payables due to lower O&M expenses during the year. This was almost entirely offset by the higher trade payables by FGPC and FGP resulting from the purchase of liquid fuel for the scheduled 30-day Malampaya outage in November and December 2013, the higher provisions for shortfall generation by EDC due to the damages sustained by the Unified Leyte and Tongonan plants, and the higher accrued interest of EDC following the issuance of the ₱7.0 billion fixed rate bond in May 2013.

Dividends payable
As of December 31, 2013, the U.S. dollar equivalent of the dividends payable on First Gen's Series F and Series G preferred shares were lower by $1.6 million or 7.5% as compared to the December 2012 balance due to the depreciation of the Philippine Peso (from ₱41.05:$1.00 as of December 2012 to ₱44.395:$1.00 as of December 2013).

Income tax payable
Income tax payable decreased by $5.1 million, or 68.9%, due to the lower payables of FGPC as a result of higher creditable withholding tax (CWT) applied during the year as compared to December 2012, and the lower tax payable of FGP due to its lower taxable income in 2013 resulting from the May 28 Incident.

Loans payable
As of December 31, 2013, the balance of loans payable stood at $53.8 million. The loan principal was availed by FGP and FGPC for the importation of liquid fuel, which was consumed during the scheduled 30-day Malampaya outage in November and December 2013.

Long-term debts – current portion
The increase in this account of $2.4 million, or 1.9%, was mainly due to the current maturing obligations of FGPC and Red Vulcan that were reclassified from the noncurrent portion. This was partially offset by principal payments amounting to $138.2 million made by the Parent Company and its subsidiaries in 2013.

Derivative liabilities – current portion
Derivative liabilities decreased by $2.1 million, or 99.4%, to $0.012 million as of December 31, 2013 from $2.1 million as of December 31, 2012. This was mainly due to the decline in the fair market valuation of EDC's cross currency swaps and other derivatives designated as accounting hedges.

Convertible Bonds – current portion
This account pertains to the Convertible Bonds, which had a face value of $57.0 million (and carrying value of $72.6 million) as of December 31, 2012. The remaining principal balance was fully redeemed on its February 11, 2013 maturity date.

Long-term debt – net of current portion
As of December 31, 2013, long-term debt stood at $2,492.1 million. This was $328.1 million, or 15.2%, higher than the December 2012 balance of $2,164.0 million primarily due to the proceeds from the $300.0 million bond by the Parent Company, the newly-issued ₱7.0 billion fixed-rate bond of EDC in May 2013, and the proceeds from the $80.0 million term loan, which EDC drew in December 2013. The additional debt was partially offset by the effect of the depreciation of the Philippine Peso against the U.S. dollar on the foreign exchange translation of Philippine Peso-denominated debts to U.S. dollar, and the reclassification of a portion of the outstanding long-term debt into the current portion.

Derivative liabilities – net of current portion
The noncurrent portion of derivative liabilities decreased by $26.5 million, or 43.5%, to $34.6 million as of December 31, 2013 from $61.1 million as of December 31, 2012 mainly due to lower derivative liabilities booked by FGPC arising from the MTM valuation of its interest rate swaps on its outstanding debt. A lower

liability was booked following the scheduled principal payments of the loan, as well the favorable movements in the forecast for London Interbank Offered Rates (LIBOR) as of December 31, 2013 as compared to December 31, 2012.

The fair valuation of EDC's cross currency swaps and the reclassification of derivative liabilities to the current portion further resulted in a decrease in this account.

Retirement and other post-employment benefits
The $4.9 million increase in this account was mainly due to the recognized transition adjustments on the Group's retirement and other post-employment benefits upon adoption of the revised PAS 19, which became effective in January 2013 and the additional retirement expense based on the updated actuarial valuation reports.

Deferred income tax liabilities – net
Deferred income tax liabilities increased by $6.6 million, or 40.1%, to $22.9 million as of December 31, 2013 mainly due to the higher tax liabilities of FGPC as a result of the reduction of its derivative liabilities. The favorable movements in the fair value of its interest rate swaps reduced its derivative liabilities thereby increasing its deferred income tax liabilities. This increase was partially offset by the lower tax liabilities of Blue Vulcan as a result of the depreciation of the Philippine Peso to ₱44.395:$1.00 in December 2013 from ₱41.05:$1.00 in December 2012.

Other noncurrent liabilities
Other noncurrent liabilities increased by $6.1 million, or 21.0%, to $35.4 million as of December 31, 2013 from $29.3 million as of December 31, 2012. This was mainly a result of higher provision for rehabilitation and restoration costs and increased provision for liabilities on regulatory assessments and other contingencies recognized by EDC.

Accumulated unrealized gain on AFS financial assets
This account decreased by $0.3 million to $0.3 million as of December 2013 from $0.6 million as of December 2012 due to the decrease in the fair value of EDC's AFS financial assets during the year.

Cumulative translation adjustments
This account decreased by $82.8 million, or 131.6%, primarily due to the $101.9 million reduction in the dollar translation of First Gen's subsidiaries that use Philippine Pesos as their functional currency. This was a result of the movements in foreign exchange from ₱41.05:$1.00 in December 2012 to ₱44.395:$1.00 in December 2013. This was partially offset by the $19.1 million gain on the cash flow hedge as a result of higher projected LIBOR as of December 2013, compared to the forecast in December 2012.

Retained earnings
First Gen's retained earnings increased by $34.7 million, or 6.1%, to $601.0 million as of December 31, 2013 from $566.3 million as of December 31, 2012. This was from the earnings during the year, partially offset by the retroactive effect of the adoption of the revised PAS 19, which reduced the beginning retained earnings balance, as well as the cash dividends declared in favor of the Parent Company's preferred and common shareholders.

Cost of common stock held in treasury
The increase in the cost of common stock held in treasury by $3.0 million was mainly due to the acquisition of the Parent Company's common stocks by First Gen's subsidiaries.

Non-controlling Interests
Non-controlling interests decreased by $32.4 million, or 7.9%, to $379.8 million as of December 2013 as a result of the acquisition of additional EDC shares by the Parent Company and the dividends declared by EDC. The decrease was partially offset by the latter's earnings in 2013.

DISCUSSIONS OF MAJOR SUBSIDIARIES

FGPC

(AUDITED)	For the years ended December 31	
(in USD thousands)	**2014**	**2013**
Revenues	792,443	968,434
Operating income	144,697	148,197
Net income	78,960	75,159
	As of the years ended December 31	
(in USD thousands)	**2014**	**2013**
Total assets	800,622	923,322
Debt – net of debt issuance costs	321,308	369,837
Other liabilities	213,745	270,551
Total equity	265,569	282,934

December 2014 vs. December 2013 Results

FGPC's revenues for 2014 decreased by $176.0 million, or 18.2%, to $792.4 million in 2014 from $968.4 million in 2013. The decrease was mainly due to lower fuel revenues, which resulted from Santa Rita's lower plant dispatch (69.0% in 2014 from 83.3% in 2013), a decrease in average gas prices ($12.4/MMBtu in 2014 as compared to $12.8/MMBtu in 2013), and lower generation following a forced outage caused by the Unit 40 Incident.

Operating income decreased by $3.5 million, or 2.4%, in 2014 mainly due to [i] higher depreciation of property, plant & equipment; [ii] increase in general & administrative costs; and [iii] lower interest income on advances to shareholders. These were partially offset by lower plant O&M costs resulting from lower plant dispatch and the Unit 40 Incident.

FGPC posted a net income of $78.9 million in 2014, which is $3.8 million, or 5.1%, higher than the $75.1 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 from deferred income taxes recognized in 2014.

ASSETS

FGPC's total assets as of December 2014 stood at $800.6 million, lower by $122.7 million, or 13.3%, than the December 2013 level of $923.3 million due to:

- lower cash balances from operations;
- lower level of fuel Inventory due to the natural gas curtailments throughout the year;
- lower balances of receivables;
- decrease in advances to shareholders due to scheduled payments; and,
- full-year depreciation and amortization of fixed assets.

These were partially offset by:

- higher balances of AFS financial assets; and,
- increase in capitalized prepaid major spare parts on account of the turbine blades.

LIABILITIES AND EQUITY

FGPC's total liabilities amounted to $535.1 million as of December 2014, which is lower by $105.3 million, or 16.5%, as compared to $640.4 million as of December 2013, primarily due to the scheduled payments of loans and a decrease in derivative liabilities due to the favorable movements in the MTM valuation of FGPC's derivative instruments.

Total equity was lower by $17.3 million, or 6.1%, to $265.6 million in December 2014 as compared to the December 2013 balance of $282.9 million. The decrease in equity was mainly due to higher dividends paid to common stockholders partially offset by the earnings during the year, and a decrease in the "Accumulated

other comprehensive loss" account due to the favorable movement in the MTM valuation of FGPC's derivative instruments.

FGP Corp.

(AUDITED)	For the years ended December 31	
(in USD thousands)	**2014**	**2013**
Revenues	447,017	343,666
Operating income	93,920	54,273
Net income	60,238	24,286
	As of the years ended December 31	
(in USD thousands)	**2014**	**2013**
Total Assets	586,139	617,199
Debt – net of debt issuance costs	380,497	447,850
Other Liabilities	85,013	47,201
Total Equity	120,629	122,148

December 2014 vs. December 2013 Results

Total revenues for the year ended December 31, 2014 increased by $103.3 million, or 30.1%, to $447.0 million from $343.7 million in 2013. The growth in revenues was primarily due to the higher fuel revenues and higher average NDC of the San Lorenzo plant (with an average NDC value of 542.9 MW in 2014 compared to 414.2 MW in 2013) as a result of Unit 60's return to operation and the effect of the installed TPU in both units of the San Lorenzo plant. In addition, revenues in 2014 increased with the partial receipt of insurance claims amounting to $14.9 million, and a gain on the sale of land to an affiliate totaling to $1.7 million. These increases were partially reduced as the average gas price for the year was slightly lower compared to last year (from $12.8/MMBtu in 2013 compared to $12.6/MMBtu in 2014), and a slightly lower net capacity factor of 73.1% in 2014 from 75.7% in 2013.

Operating income increased by $39.6 million, or 73.1%, to $93.9 million in 2014 from $54.3 million in 2013 mainly due to the following: [i] higher capacity fees brought about by the increased NDC values during the year; [ii] additional revenue from insurance claims and gain on sale of land; and [iii] lower depreciation of property, plant and equipment. Net income likewise increased by $35.9 million, or 147.9%, to $60.2 million in 2014 from $24.3 million in 2013 due to the increase in operating income and lower provision for deferred income taxes recognized in 2014.

ASSETS

FGP's total assets as of December 2014 stood at $586.1 million which is $31.1 million lower, or 5.0%, than $617.2 million in 2013 million due to:

- lower property, plant and equipment due to depreciation and amortization;
- partial collection of receivables from FGPC for the advances on liquid fuel that were made by FGP;
- collection of advances to shareholder; and
- consumption of liquid fuel inventory for operations due to several gas curtailments during the period.

The decrease was offset by:

- higher cash balance from operations; and
- higher AFS financial assets arising from the additional purchases of financial securities.

LIABILITIES AND EQUITY

As of December 31, 2014, total liabilities decreased by $29.5 million, or 6.0%, to $465.5 million compared to $495.0 million at the beginning of the year, mainly from the payment of its short-term loan amounting to $50.0 million that was availed last November 22, 2013 and scheduled payments on its long-term loan.

Total equity decreased by $1.5 million, or 1.2%, to $120.6 million in 2014 as compared to $122.1 million in 2013. The decrease in equity was brought about by higher cash dividends paid to common stockholders

during the year. This was partially offset by the recognition of "Accumulated other comprehensive income" account arising from the MTM valuation of the AFS financial instruments that are recognized at fair value.

EDC Consolidated

(AUDITED) (Amounts in PHP millions)	For the years ended December 31	
	2014	2013
Revenues	30,867.2	25,656.3
Foreign exchange losses, net	(102.5)	(1,261.2)
Income before income tax	13,040.6	6,114.2
Net income	11,818.0	5,628.2
	As of the years ended December 31	
(Amounts in PHP millions)	2014	2013
Total Assets	124,499.5	105,005.5
Total Liabilities	80,879.4	68,760.5
Total Equity	43,620.1	36,245.0

December 2014 vs. December 2013 Results

In 2014, EDC posted net income of ₱11,818.0 million, which increased by ₱6,189.8 million, or 110.0%, from ₱5,628.2 million in 2013. The increase was primarily attributable to a ₱5,210.9 million increase in revenues due to the higher revenue contributions of BGI, GCGI, and the EDC Parent. This was supplemented by the ₱2,051.9 million in reversal of a previous impairment provision on its NNGP plant assets, ₱1,158.7 million decrease in foreign exchange losses, and partial insurance claims received amounting to ₱539.2 million.

The aforementioned were partially offset by the ₱1,878.9 million and ₱1,412.1 million increase in costs of sale of electricity and general & administrative expenses, respectively.

Net income in 2014 represented 38.3% of total revenues as compared to 21.9% in 2013.

ASSETS

Total assets increased by ₱19,494.0 million, or 18.6%, from ₱105,005.5 million in 2013 to ₱124,499.5 million in 2014 primarily due to the ₱16,833.5 million, or 25.4%, increase in property, plant and equipment. The increase in property, plant and equipment was primarily due to the ₱20,208.3 million additions mainly on account of Burgos Wind Power Project, Nasulo Geothermal Project, and Leyte's acquisitions post-Typhoon Yolanda. The increase was partially offset by the ₱3,965.2 million depreciation and amortization for the year.

Total cash and cash equivalents decreased by ₱2,033.0 million, or 12.7%, from ₱16,043.2 million in 2013 to ₱14,010.2 million in 2014 mainly due to additions in the property, plant and equipment account, payment of long-term debt, interest and financing charges totaling to ₱12,454.5 million, and payment of cash dividends amounting to ₱4,415.8 million in 2014. These decreases were partially offset by the increase in net cash generated from operating activities amounting to ₱16,088.9 million and loan proceeds totaling to ₱19,157.6 million.

LIABILITIES AND EQUITY

Total liabilities increased by ₱12,118.9 million, or 17.6%, from ₱68,760.5 million as of December 31, 2013 to ₱80,879.4 million as of December 31, 2014 primarily due to new loans availed in 2014 to finance the construction of the 150-MW Burgos Wind Project. The increase was partially offset by the scheduled payments on its long-term debts and various payables to third parties.

Total equity increased by ₱7,375.1 million, or 20.3%, from ₱36,245.0 million as of December 31, 2013 to ₱43,620.1 million as of December 31, 2014 mainly due to net income earned in 2014. The increase was partially offset by cash dividends paid in 2014 amounting to ₱3,757.5 million.

FG Hydro

(AUDITED)	For the years ended December 31	
(Amounts in PHP millions)	**2014**	**2013**
Operating revenues	1,873.7	2,251.7
Operating expenses*	918.9	854.9
Other expenses – net	147.1	170.5
Income before tax	807.7	1,226.3
Provision for (benefit from) income tax	(4.4)	31.8
Net income	812.1	1,194.5
	As of the years ended December 31	
(Amounts in PHP millions)	**2014**	**2013**
Total current assets	1,524.0	1,733.8
Total noncurrent assets	6,080.6	6,403.6
Total current liabilities	656.7	547.2
Total noncurrent liabilities	3,220.0	3,602.8
Total equity	3,727.9	3,987.4

**Includes Cost of Sales and Services and General and Administrative Expenses*

December 2014 vs. December 2013 Results

FG Hydro generated revenues of ₱1,873.7 million for the year ended December 31, 2014, which decreased by ₱378.0 million, or 16.7%, from ₱2,251.7 million for the same period in 2013. The decrease was mainly due to lower electricity generated as a result of reduced capacity from low reservoir water levels, low IDR, and lower spot prices. The decrease was partially offset by higher ancillary service revenues.

Operating expenses for the year ended December 31, 2014 amounted to ₱918.9 million, which increased by ₱64.0 million, or 7.4%, from ₱854.9 million during the previous year. The increase was mainly due to higher insurance expense, taxes and licenses, and professional fees paid for preparatory works for Masiway's refurbishment. This was partially offset by lower service fees paid to NIA and lower interest expense in 2014. Interest expense for 2014 amounted to ₱172.3 million, which was ₱15.3 million ,or 8.1%, lower compared to ₱187.6 million in 2013 due to its lower long-term debt balance. Overall, FG Hydro posted a net income of ₱812.1 million for the year ended December 31, 2014, which was ₱382.4 million, or 32%, lower than the ₱1,194.5 million reported income in 2013.

ASSETS

Total assets as of December 31, 2014 stood at ₱7,604.6 million, which was ₱532.8 million, or 6.5%, lower than the December 31, 2013 level of ₱8,137.4 million. The unfavorable variance was mainly due to lower cash and receivables balances, and reduced net book values of property, plant and equipment and water rights.

LIABILITIES AND EQUITY

As of December 31, 2014, total liabilities stood at ₱3,876.7 million, which was ₱273.3 million, or 6.5%, lower than the December 31, 2013 level of ₱4,150.0 million mainly due to its scheduled principal payment of its outstanding debt.

Total equity as of December 31, 2014 stood at ₱3,727.9 million, which is ₱259.5 million, or 6.5%, lower than the December 31, 2013 level of ₱3,987.4 million. The decrease was primarily due to FG Hydro's dividend payments to its shareholders amounting to ₱ 1,078.3 million in 2014.

FG Bukidnon

	For the years ended December 31	
(in PHP thousands)	**2014**	**2013**
Revenues	44,833	50,507
Operating income	13,661	21,615
Net income	12,182	17,799
	As of the years ended December 31	
(in PHP thousands)	**2014**	**2013**
Total Assets	124,040	137,023
Total Current Liabilities	17,167	21,529
Other Liabilities	15,771	14,855
Total Equity	91,102	100,639

December 2014 vs. December 2013 Results

Revenues decreased by ₱5.6 million, or 31.6%, to ₱44.8 million in 2014 compared to ₱50.5 million in 2013 mainly due to the absence of other revenues amounting to ₱7.0 million in 2013. The decrease was partially offset by higher plant generation and higher energy fee charged to Cagayan Electric Power and Light Company, Inc.

In 2013, FG Bukidnon wrote-off ₱7.0 million for accrued plant O&M expenses for its transmission line usage from August 2005 to February 2010. FG Bukidnon recognized the amount under its "Other Revenues".

Operating income decreased by ₱7.9 million, or 36.8%, to ₱13.7 million in 2014 mainly due to lower revenues and higher administrative expenses for 2014. FG Bukidnon posted net income of ₱12.2 million, which was lower by ₱5.6 million compared to the previous year's ₱17.8 million. The decrease in net income resulted from FG Bukidnon's lower operating income in 2014.

ASSETS

As of December 31, 2014, total assets stood at ₱124.0 million, which decreased by ₱13.0 million, or 9.5%, from the December 31, 2013 level of ₱137.0 million. The decrease was mainly due to its declaration of cash dividends amounting to ₱23.0 million and depreciation of property, plant and equipment in 2014. The decrease was partially offset by cash received from FG Bukidnon's operations.

LIABILITIES AND EQUITY

As of December 31, 2014, total current liabilities decreased by ₱4.4 million, or 20.3%, primarily a result of lower income tax due and lower level of trade payables.

As of December 31, 2014, other liabilities increased by ₱0.9 million, or 6.2%, due to the set-up of additional ARO for 2014.

Total equity decreased by ₱9.5 million, or 9.5%, to ₱91.1 million as of December 31, 2014 mainly due to FG Bukidnon's declaration of cash dividends, partially offset by its earnings during the year.

KEY PERFORMANCE INDICATORS

First Gen Consolidated	December 2014	December 2013
Current ratio	1.67x	2.46x
Asset-to-equity ratio	2.76x	2.84x
Debt-to-equity ratio	1.76x	1.84x
Quick ratio	1.46x	2.16x
Return on assets (%)	6.24%	3.48%
Return on equity (%)	17.47%	9.44%
Interest-bearing debt-to-equity ratio (times)	1.49x	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.
Return on Assets	Calculated by dividing the consolidated net income for the year by the average total assets. This ratio measures how the company utilizes its resources to generate profits.
Return on Equity	Calculated by dividing the consolidated net income for the year by the average total equity. 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	$278,201	$29,837	$61,838	$2,038	$371,914
Related parties	2,521	–	–	–	2,521
Loans and notes receivables	2,144	–	–	–	2,144
Others	11,340	739	365	–	12,444
	294,206	30,576	62,203	2,038	389,023
Less: allowance for doubtful accounts	–	–	–	(2,038)	(2,038)
	$294,206	**$30,576**	**$62,203**	**–**	**$386,985**

MARKET INFORMATION

First Gen's common shares were listed with the Philippine Stock Exchange, Inc. on February 10, 2006. The high and low stock prices for 2013, 2014, and the 1st quarter of 2015 (as of March 12, 2015) are indicated below:

	High	Low
2015		
1Q (as of March 12, 2015)	31.80	25.40
2014		
4Q	27.55	23.85
3Q	27.10	20.20
2Q	23.30	18.06
1Q	20.00	13.14
2013		
4Q	16.90	12.20
3Q	19.34	15.50
2Q	25.25	15.70
1Q	27.45	22.15

The closing price of First Gen's common shares as of March 12, 2015 was ₱29.50 per share.

As of March 12, 2015, First Gen's public float is at 32.62%, computed as follows:

$$\frac{\text{Total Shares Owned by the Public}}{\text{Total Issued and Outstanding Shares}} \times 100$$

$$\frac{1,194,153,166}{3,660,943,557} \times 100 = \textbf{32.62\%}$$

As of March 12, 2015, there were 352 common stockholders of record and 3,660,943,557 common shares issued and outstanding.

Following are the top 20 stockholders of First Gen as of March 12, 2015:

Common Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	2,424,990,159	66.239485%
2	PCD NOMINEE CORPORATION (FILIPINO)	685,776,772	18.732241%
3	PCD NOMINEE CORPORATION (FOREIGN)	504,437,823	13.778902%
4	F. YAP SECURITIES, INC.	13,500,000	0.368757%
5	GARRUCHO JR., PETER D.	6,787,004	0.185389%
6	LOPEZ, FEDERICO R.	5,569,511	0.152133%
7	LOPEZ, OSCAR M.	5,461,226	0.149175%
8	PUNO, FRANCIS GILES B.	1,800,001	0.049168%
9	TANTOCO, RICHARD B.	1,768,681	0.048312%
10	PUNO,FRANCIS GILES B.,&/OR MA. PATRICIA D. PUNO	1,105,800	0.030205%
11	DE GUIA, ARTHUR A.	1,052,160	0.028740%
12	CROSLO HOLDINGS CORPORATION	741,584	0.020257%
13	MANUEL SANTIAGO &/OR ELLA SANTIAGO	600,000	0.016389%
14	PACITA KING YAP &/OR PHILIP KING YAP	530,000	0.014477%
15	ARLENE TAN &/OR PAUL K. YAP, JR.	500,000	0.013658%
16	GO,REGINA PIA BANAL	500,000	0.013658%
17	VASAY, NESTOR H.	450,000	0.012292%
18	TAN,LOZANO A.	300,000	0.008195%
19	LOPEZ, MONINA D.	264,738	0.007231%

20	AGUILAR, CESAR G.	248,490	0.006788%
TOTAL SHARES (TOP 20)		**3,656,383,949**	**99.875453%**
TOTAL SHARES (REST OF STOCKHOLDERS)		4,559,608	0.124547%
TOTAL ISSUED AND OUTSTANDING SHARES		**3,660,943,557**	**100.000000%**

Series "B" Preferred Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	1,000,000,000	100.000000%
TOTAL ISSUED AND OUTSTANDING SHARES		**1,000,000,000**	**100.000000%**

Series "E" Preferred Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	468,553,892	100.000000%
TOTAL ISSUED AND OUTSTANDING SHARES		**468,553,892**	**100.000000%**

Series "F" Preferred Shares

Rank	Name	No. of Shares	Percentage
1	FIRST PHILIPPINE HOLDINGS CORPORATION	52,434,000	52.434000%
2	PCD NOMINEE CORPORATION (FILIPINO)	45,125,000	45.125000%
3	KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILS.	1,000,000	1.000000%
4	EUGENIO LOPEZ FOUNDATION, INC.	500,000	0.500000%
5	FIRST PHILIPPINE HOLDINGS CORPORATION PENSION FUND	500,000	0.500000%
6	CROSLO HOLDINGS CORPORATION	200,000	0.200000%
7	PERLA RAYOS DEL SOL CATAHAN &/OR ROBERTO BUENAVIDEZ CATAHAN	50,000	0.050000%
8	GERTES,JOVITO VICTORINO	30,000	0.030000%
9	WIENEKE,MARIANELA ALDEGUER	30,000	0.030000%
10	EMELITA DE LEON SABELLA &/OR RONALDO CUSTODIO SABELLA	20,000	0.020000%
11	LIBORO,BENJAMIN KALUAG	20,000	0.020000%
12	MABASA,ANTHONY MILITAR	20,000	0.020000%
13	BRIGIDA QUINTOS PAGDAGDAGAN &/OR RAMON TAGARDA PAGDAGDAGAN	10,000	0.010000%
14	FADRI,ARDEL LABRADOR	10,000	0.010000%
15	FADRI,MILAGROS DELA VEGA	10,000	0.010000%
16	LEONIDES ULIT GARDE &/OR MARIA SALUD DE SANTOS GARDE &/OR LIANA ALEXANDRA DE SANTOS GARDE	10,000	0.010000%
17	MARTINEZ,VICTORIA A.	10,000	0.010000%
18	RICARDO BATISTA YATCO &/OR CYNTHIA ACOSTA YATCO	10,000	0.010000%
19	RICARDO BATISTA YATCO &/OR GERARDO BATISTA YATCO	10,000	0.010000%
20	PCD NOMINEE CORPORATION (FOREIGN)	1,000	0.001000%
TOTAL ISSUED AND OUTSTANDING SHARES		**100,000,000**	**100.000000%**

Series "G" Preferred Shares

Rank	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	81,303,050	60.787327%
2	FIRST PHILIPPINE HOLDINGS CORPORATION	50,296,450	37.604822%
3	LOPEZ, INC.	500,000	0.373832%
4	FIRST PHILIPPINE HOLDINGS CORPORATION PENSION FUND	300,000	0.224299%
5	CROSLO HOLDINGS CORPORATION	200,000	0.149533%
6	EUGENIO LOPEZ FOUNDATION, INC.	200,000	0.149533%
7	PCD NOMINEE CORPORATION (FOREIGN)	142,700	0.106692%
8	CATAHAN,PERLA R.,&/OR ROBERTO B. CATAHAN	100,000	0.074766%
9	LOPEZ,OSCAR M.,&/OR CONSUELO R. LOPEZ	100,000	0.074766%
10	ALEXANDER TAN SOLIS &/OR GINA TAN SINFUEGO	50,000	0.037383%
11	DE LA PAZ,PANFILO P.	50,000	0.037383%

12	G. D. TAN & CO., INC.	40,000	0.029907%
13	CLEMENTE, III,ENRIQUE C.	30,000	0.022430%
14	MARIANELA A. WIENEKE &/OR JORGE NOEL Y. WIENEKE	30,000	0.022430%
15	LACSON,SYLVIA F.	27,000	0.020187%
16	LORAYES,ANGELES Z.	25,000	0.018692%
17	WIENEKE,MARIANELA ALDEGUER	25,000	0.018692%
18	TEH,ALFONSO SY	22,000	0.016449%
19	ESGUERRA,ALMIRA JAZMIN P.	20,000	0.014953%
20	FRAGANTE,MARGARITA B.	20,000	0.014953%
TOTAL SHARES (TOP 20)		**133,481,200**	**99.799028%**
TOTAL SHARES (REST OF STOCKHOLDERS)		268,800	0.200972%
TOTAL ISSUED AND OUTSTANDING SHARES		**133,750,000**	**100.000000%**

DIVIDENDS

First Gen has a dividend policy to declare, subject to certain conditions, an annual cash dividend on its common shares equivalent to 30% of the prior year's recurring net income. Any such declaration of cash dividend is conditional upon the recommendation of the board of directors, after taking into consideration factors such as, but not limited to, debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves, and working capital. Further, the declaration of a cash dividend is subject to the preferential dividend rights of the voting preferred shares and perpetual preferred shares. This dividend policy may be revised by the board of directors for whatever reason it deems necessary, reasonable, or convenient.

On August 15, 2007, the board of directors declared a cash dividend in the amount of: (i) ₱2.50 per share on all outstanding common shares in favor of stockholders of record as of September 7, 2007, with payment date of September 14, 2007; and (ii) ₱0.05 per share on all outstanding preferred shares in favor of stockholders of record as of September 7, 2007, with payment date of September 13, 2007.

On March 30, 2009, the board of directors of First Gen approved the declaration of a 50% stock dividend on First Gen's common shares to be taken from unissued common shares, and a 50% property dividend on First Gen's preferred shares to be taken from treasury preferred shares.

The Philippine SEC approved on August 27, 2009 the issuance of $8.4 million (₱405.0 million) common shares consisting of 405,000,000 common shares with a par value of ₱1.00 per share, to cover the stock dividends declared by the board of directors on March 30, 2009 and ratified by the company's stockholders representing at least two-thirds (2/3) of the outstanding capital stock on May 13, 2009. Record and payment dates of the common stock dividends were set at September 11, 2009 and October 7, 2009, respectively. The Philippine SEC's approval was pursuant to the Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock or Cash Dividends of Corporations whose securities are registered under the SRC or listed in the PSE.

On September 23, 2009, the Philippine SEC approved First Gen's declaration of a 50% property dividend consisting of 177,619,000 preferred shares, to be taken from treasury preferred shares and amounting to $7.6 million (₱680.3 million), in favor of First Gen's preferred stockholder of record as of May 13, 2009.

On October 5, 2009, the board of directors of First Gen approved the declaration of a property dividend on First Gen's preferred shares to be taken from the remaining 467,143,000 treasury preferred shares, and a stock dividend of 375,000,000 million Series "E" preferred shares to be taken from First Gen's unrestricted retained earnings. The board of directors likewise approved the reduction in the dividend rate of Series "A" to "D" preferred shares from ₱0.05 to ₱0.02 per share. The above matters were approved by the stockholders during the special stockholders' meeting held on November 20, 2009, and by the Philippine SEC on November 26, 2009. The property dividends were taken from the remaining 467,143,000 preferred shares held in treasury amounting to $20.0 million (₱1,787.1 million), and paid to First Gen's preferred stockholder of record as of November 20, 2009.

On December 7, 2009, the Philippine SEC approved First Gen's declaration of stock dividends consisting of 375,000,000 Series "E" preferred shares amounting to $4.0 million (₱187.5 million) in favor of the preferred stockholder of record as of December 7, 2009.

On March 8, 2010 and May 12, 2010, First Gen's board of directors and stockholders, respectively, approved the declaration of a stock dividend on Series "E" preferred shares consisting of 93,553,892 shares to be taken from the company's unrestricted retained earnings. On June 2, 2010, First Gen submitted to the Philippine SEC a notice of declaration of stock dividend on Series "E" preferred stocks.

On January 26, 2011, the board of directors approved the declaration of cumulative cash dividends on the Series "B" preferred shares amounting to $1.8 million (₱77.8 million) to be taken from the company's unrestricted retained earnings. The cash dividends have a record date of February 9, 2011 and a payment date of March 7, 2011. In the same meeting, the board of directors approved the dividend rate of Series "E" preferred shares at ₱0.01 per share.

On July 5, 2011, the board of directors of First Gen approved the declaration of cash dividends of ₱0.01 a share amounting to $0.1 million (₱4.7million) to First Gen's Series "E" Preferred stockholders of record as of July 19, 2011 and the cash payment date of July 25, 2011.

On December 15, 2011, the board of directors of First Gen approved the declaration of cash dividends on its preferred shares as follows:

- For all outstanding Series "B" preferred shares, cash dividends of two centavos (₱0.02) a share with record date of January 6, 2012 and payment date of January 25, 2012;
- For all outstanding Series "E" preferred shares, cash dividends of one centavo (₱0.01) a share with record date of January 6, 2012 and payment date of January 25, 2012; and,
- For all outstanding Series "F" perpetual preferred shares, cash dividends of four pesos (₱4.00) a share with record date of January 6, 2012 and payment date of January 25, 2012. The Series "F" preferred shares have a coupon rate of 8% and are entitled to receive dividends on a semi-annual basis.

The total cash dividends on preferred shares declared above totaling to $9.7 million (₱424.7 million) was paid on January 25, 2012.

On March 13, 2012, the Philippine SEC approved an increase in First Gen's authorized capital stock from ₱7,250 million to ₱8,600 million by way of the creation of 135 million Series "G" perpetual preferred shares with a par value of ₱10.00 per share. Of the increase of ₱1,350 million, the amount of ₱337,500,000.00 consisting of 33,750,000 Series "G" preferred shares, representing at least 25% of the increase, was subscribed and paid in full by FPH in support of First Gen's application to increase its authorized capital stock.

On May 18, 2012, First Gen issued and listed with the PSE 100 million Series "G" preferred shares which are cumulative, non-voting, non-participating, non-convertible and peso-denominated. The shares were issued via follow-on offering at an issue price of ₱100.00 each. Under the terms of the Deed Poll covering the said shares, the dividend rate of the Series "G" perpetual preferred shares is 7.7808% per annum, and is payable, as and when declared by the Company's board of directors, every January 25 and July 25.

Thereafter, on May 25, 2012, FPH made an additional investment in First Gen in the amount of ₱1,800 million by paying the difference between the issue price it previously paid or ₱10.00 per share, and the issue price for the publicly-offered shares of ₱100.00 per share, on 20 million of the 33,750,000 Series "G" preferred shares held by it. This additional investment enabled FPH's 20 million Series "G" preferred shares to enjoy the same rights and benefits as the holders of the 100 million Series "G" preferred shares offered to the public, including the dividend rate of 7.7808% per annum.

On June 15, 2012, the board of directors of First Gen approved the declaration of cash dividends on its perpetual preferred shares as follows:

- ₱4.00 per share or 8.0% per share per annum on the 100 million Series "F" preferred shares;
- ₱1.47 per share or 7.7808% per share per annum on the 100 million Series "G" preferred shares subject of the follow-on offering on May 18, 2012; and
- ₱1.45 per share on the 120 million Series "G" preferred shares owned by FPH, broken down as follows: (i) ₱1.32 per share or 7.7808% per share per annum on the 20 million Series "G" preferred shares topped-up by FPHC on May 25, 2012; and (ii) ₱0.13 per share or 3.27% per share per annum on the 33,750,000 Series "G" preferred shares paid for by FPH on February 27, 2012.

The above cash dividends have a record date of June 29, 2012 and a payment date of July 25, 2012.

On November 21, 2012, First Gen directors approved the declaration of 2013 cash dividends on its preferred shares as follows:

- ₱0.02 per share on all outstanding Series "B" preferred shares;
- ₱0.01 per share on all outstanding Series "E" preferred shares;
- ₱4.00 per share on all outstanding Series "F" preferred shares;
- ₱3.8904 per share on 120 million Series "G" preferred shares, consisting of 100 million Series "G" shares issued by way of follow-on offering in May 2012 plus 20 million Series "G" shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series "G" preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of January 2, 2013 and a payment date of January 25, 2013.

On June 19, 2013, the directors approved the declaration of cash dividends on its perpetual preferred shares as follows:

- ₱4.00 per share or 8.0% per share per annum on the 100 million Series "F" preferred shares;
- ₱3.8904 per share or 7.7808% per share per annum on the 120 million Series "G" preferred shares, consisting of 100 million Series "G" preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series "G" preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series "G" preferred shares issued to FPH by way of private placement

The above cash dividends have a record date of July 3, 2013 and a payment date of July 25, 2013.

On July 10, 2013, the directors of First Gen approved the declaration of cash dividends on its issued and outstanding common shares at the rate of ₱0.50 per share. The cash dividends have a record date of July 25, 2013 and a payment date of August 19, 2013.

On November 21, 2013, the board of directors approved the declaration of 2014 cash dividends on its preferred shares as follows:

- ₱0.02 per share on all outstanding Series "B" preferred shares;
- ₱0.01 per share on all outstanding Series "E" preferred shares;
- ₱4.00 per share on all outstanding Series "F" preferred shares;
- ₱3.8904 per share on 120 million Series "G" preferred shares, consisting of 100 million Series "G" preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series "G" preferred shares topped-up by FPH
- ₱0.38904 per share on the 13,750,000 Series "G" preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of January 2, 2014 and a payment date of January 27, 2014.

On June 16, 2014, the board of directors approved the declaration of cash dividends on its preferred shares as follows:

- ₱4.00 per share or 8.0% per share per annum on the 100 million Series "F" preferred shares;
- ₱3.8904 per share or 7.7808% per share per annum on the 120 million Series "G" preferred shares, consisting of 100 million Series "G" preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series "G" preferred shares topped-up by FPH; and
- ₱0.38904 per share on the 13,750,000 Series "G" preferred shares issued to FPH by way of private placement

The above cash dividends have a record date of July 1, 2014 and a payment date of July 25, 2014.

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 November 13, 2014, the board of directors approved the declaration of 2015 cash dividends on its preferred shares as follows:

- ₱0.02 per share on all outstanding Series "B" preferred shares;
- ₱0.01 per share on all outstanding Series "E" preferred shares;
- ₱4.00 per share on all outstanding Series "F" preferred shares;
- ₱3.8904 per share on 120 million Series "G" preferred shares, consisting of 100 million Series "G" preferred shares issued by way of follow-on offering on May 18, 2012 and 20 million Series "G" preferred shares topped-up by FPH
- ₱0.38904 per share on the 13,750,000 Series "G" preferred shares issued to FPH by way of private placement.

The cash dividends have a record date of January 5, 2015 and a payment date of January 26, 2015.

SALE OF UNREGISTERED / EXEMPT SECURITIES

Executive Stock Option Plan. The aggregate number of common shares that may be subject to, and issued under, awards granted pursuant to the Executive Stock Option Plan (ESOP) shall not at any time exceed 4% of the total issued and outstanding common shares as of any option grant date. Options under the ESOP vest within a 5-year period, beginning from the date of acceptance of the option and ending on the day exactly 5 years from the applicable option grant date.

Under the July 1, 2003 option grant date, a total of 452,285 common shares of First Gen's unissued common shares were reserved for the ESOP. In Resolution No. 445 dated August 29, 2002, the Philippine SEC held that First Gen's issuance of 452,285 shares of stock pursuant to its ESOP is exempt from the registration requirements under Section 10.2 of the Securities Regulation Code (SRC).

By virtue of the common shares split and common shares dividends declared and approved by the board of directors and stockholders on April 4, 2005, the number of options and price per share were adjusted automatically in accordance with the terms of the ESOP. Accordingly, the number of common shares reserved for the ESOP was adjusted from 452,285 to 18,091,400 and the exercise price of ₱528.00 per share was adjusted to ₱13.20 per share. As a result of the said restructuring, the Philippine SEC set aside Resolution No. 445 and issued on November 29, 2005 Resolution No. 372 to reflect adjustments in the number of allocated shares from 452,285 to 18,091,400 and subscription price from ₱528.00 to ₱13.20.

Of the 18,091,400 common shares allocated for the ESOP, 15,856,800 common shares were granted under the July 1, 2003 option grant date.

On August 27, 2009, the Philippine SEC approved a 50% stock dividend on common shares, and further adjustments were made on the number of unexercised common shares and subscription price per share. As there were 4,343,072 unexercised shares at that time, the stock dividend added 50% thereto, or 2,171,536 shares, bringing the total number of unexercised shares to 6,514,608. On the other hand, the subscription price per share was reduced from ₱13.20 to ₱8.80. In Resolution No. 010 dated January 11, 2010, the Philippine SEC confirmed the continuing exemption of the ESOP shares from the registration requirements of the SRC.

Under the ESOP, the Option Expiration Date is July 1, 2013. As of the Option Expiration Date, there were 73,638 unexercised shares, which shares are now deemed forfeited in accordance with the terms of the ESOP.

Following the Option Expiration Date, no other grants or exercises will be made under the ESOP.

Employee Stock Purchase Plan. The SEC, in Resolution No. 272 dated August 30, 2005, held that First Gen's issuance of 113,071 shares of stock pursuant to its Employee Stock Purchase Plan (ESPP) is exempt from the registration requirements under Section 10.2 of the SRC. No award or issuance of shares under the ESPP has been granted to any employee to date.

CORPORATE GOVERNANCE

The corporate governance structures of First Gen are managed and driven by its board of directors which is composed of individuals of proven competence and integrity. As the members of the board are fully aware of their duties and obligations as directors of a publicly listed company, they make every effort to ensure that the Company is able to respond to the needs of its officers, employees, customers and partners, as well as the government and the public in general. Having set forth the Company's goals, the board is responsible for guiding the Company in fulfilling its economic targets and governance aspirations.

The board of directors of First Gen consists of nine (9) members, which include two (2) Independent Directors, each of whom is elected by the Company's qualified stockholders during the annual general meeting held every 2nd Wednesday of May of each year. Independent Directors Tony Tan Caktiong and Jaime I. Ayala have neither interest nor relationship with First Gen that may hinder their independence from the Company or its management, or interfere with the exercise of independent judgment in carrying out their responsibilities.

Pursuant to the Company's Manual on Corporate Governance and in compliance with the principles of good corporate governance, the members of the board have been selected also as members of the following standing committees: Risk Management Committee, Nomination and Governance Committee, Compensation and Remuneration Committee, and Audit Committee.

The **Nomination and Governance Committee** is composed of at least three (3) members, one (1) of whom shall be an Independent Director. It is presently composed of Chairman Federico R. Lopez, Director Richard B. Tantoco, and Independent Director Tony Tan Caktiong.

Under The Nomination and Governance Committee Charter, the committee exercises the principal function of selecting directors and passing upon their qualifications as shall be consistent with the By-laws and Manual on Corporate Governance. The committee makes sure that a board election will result in a mix of proficient directors, each of whom will be able to add value and bring prudent judgment to the board of directors. It is also tasked to review the structure, size and composition of the board and make appropriate recommendations thereto. It shall likewise review with the board, on an annual basis or as may be needed, the appropriate skills, characteristics and training required by the directors.

The committee also holds the responsibility of reviewing and evaluating the qualifications of persons nominated for positions that require board approval. It likewise has the duty to assess the effectiveness of the board's processes and procedures in the election or replacement of directors. It also reviews the recommendations of the Compliance Officer in relation to the Manual on Corporate Governance, as well as other corporate governance rules and regulations.

The **Compensation and Remuneration Committee** is composed of the Chairman of the board and two (2) members, one (1) of whom shall be an Independent Director. The chairman of the committee is Independent Director Tony Tan Caktiong, and its members are Directors Federico R. Lopez and Peter D. Garrucho Jr.

Pursuant to the Compensation and Remuneration Committee Charter, the committee has the principal function of studying and recommending an appropriate compensation and/or rewards system. It shall exercise powers and functions over the compensation and remuneration of the corporate officers other than the Chairman, whose compensation and remuneration shall be determined by the President and two (2) directors, one of whom shall be an Independent Director. The committee shall establish a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy, and the business environment in which it operates. Further, it is tasked to review the Corporation's human resources development or personnel handbook in order to strengthen provisions on conflict of interest, policies on salaries and benefits, and directives on promotion and career advancement.

The **Audit Committee** is headed by Independent Director Jaime I. Ayala, with Independent Director Tony Tan Caktiong, and Directors Peter D. Garrucho, Jr. and Elpidio L. Ibañez as members.

Under the provisions of The Audit Committee Charter, the committee's primary function is to assist the board of directors in fulfilling its oversight responsibilities for financial reporting, internal control systems, internal audit activities, compliance with key regulatory requirements, and enforcement of the Corporate Code of Conduct.

The committee is likewise tasked with the following functions:

- Provide input and perspective on the Company's management of credit, market, liquidity, operational, legal and other risks;
- Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;
- Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management takes appropriate corrective actions to address regulatory issues;
- Review and approve the annual internal audit plan, including audit scope and frequency, and all major changes thereto;
- Review the financial statements with particular focus on the following:
    a) Accounting policies, practices and reporting issues;
    b) Assumptions and estimates in major judgmental areas;
    c) Significant adjustments resulting from audit; and
    d) Recent professional and regulatory pronouncements, along with their impact on the financial statements;

- Review any unusual or complex transaction and the accuracy of disclosures of material information including subsequent events and related party transactions;
- Recommend the appointment of an external auditor for the Corporation and manage relations between said auditor and the Company
- Review the external auditor's conduct of its activities and engagements for and in the Company in order to make sure such conduct is in accordance with generally accepted auditing standards in the Philippines;
- Ensure the existence of a working internal audit group which shall identify audit issues, propose resolutions to these issues, and provide reasonable assurance that key organizational and procedural controls as promulgated by management are effective, appropriate, and enforced;
- Ensure that members of the internal audit group have free and full access to all the Company's records, properties and personnel which are relevant to and required by its functions, and that internal audit activities shall be free from interference and influence; and
- Review the effectiveness of the internal audit function in accordance with applicable auditing standards and The Internal Audit Charter.

The committee shall conduct an annual self-assessment of its performance and effectiveness and recommend, if necessary, changes to The Audit Committee Charter. The self-assessment activity shall be based on the completeness of The Audit Committee Charter as to its compliance with regulatory requirements and actual implementation.

The Audit Committee may likewise request information, data and clarification from the officers of the Corporation in the performance of its duties and responsibilities.

The **Risk Management Committee** was created by the board of directors in March 2010. The Risk Management Committee Charter provides that the committee shall be composed of at least three (3) members from the board of directors. In May 2013, the board of directors decided to elect an additional director to sit in the committee, bringing its current board membership to four (4) directors.

The committee is chaired by Director Peter D. Garrucho Jr., with Independent Director Jaime I. Ayala and Directors Elpidio L. Ibañez and Francis Giles B. Puno as members.

The committee assists the board of directors in its oversight responsibility over management's activities in managing risks involving physical, financial, operational, labor, legal, security, environmental, and other risks of the Corporation. It plays a vital oversight role and serves as an important liaison to the board. Under its charter, the committee shall have the following duties and responsibilities:

- Provide guidance to management through the establishment of the Company's risk management philosophy and risk appetite;
- Approve the Company's risk management policy and processes and any revision thereto;
- Regularly assess the Company's risk management activities;
- Understand and set clear directions for the management of the Corporation's strategic and critical risks;

- Provide the necessary support and resources to management in managing the risks to the Company;
- Communicate to key stakeholders the status of strategic and critical risks;
- Recommend the review and/or change in the Company's risk management policy, as may be deemed appropriate; and
- Require periodic reports from management to confirm that the risk management system of the Company is operating correctly and consistently with its objectives.

To further ensure compliance with the principles and policies of good corporate governance, Senior Vice President Victor B. Santos Jr. serves as the Company's Compliance Officer. Mr. Santos is responsible for monitoring compliance by the Corporation with the Manual on Corporate Governance and the rules and regulations of regulatory agencies, including reporting the occurrence of any violation, reporting such violation to the board, recommending the imposition of appropriate disciplinary actions on the responsible parties, and adopting measures to prevent a repetition of the violation; appearing before the SEC when summoned on matters relating to the Manual on Corporate Governance; and, if any deviations are found, explaining the reasons for such deviation; and recommending to the board the review of the Manual on Corporate Governance.

First Gen has long recognized corporate governance as a necessary component of sound business management. As such, the Company, through its board of directors and senior management, continues to search for ways and means to further improve its corporate governance structures. The Company regularly reviews its existing policies and programs with the intention of further elevating the level of accountability of the Company's directors, officers, and employees. Efforts to enhance and develop the Company's corporate governance structures have resulted in earlier amendments to the Company's By-laws and Manual on Corporate Governance.

In separate meetings held in March and May 2009, respectively, the board of directors and stockholders approved amendments to the Corporation's By-laws to comply with leading practices on good corporate governance. In August 2009, the Philippine SEC approved the amendments to the By-laws, which included a policy pronouncement for the board of directors to be governed by the Manual on Corporate Governance. Among other things, the amendments provide for the following:

- General responsibility of the board of directors;
- Election and qualification of Independent Directors;
- Additional qualifications and disqualifications of directors, such as disqualification on the grounds of
  a) violation of the Philippine Securities Regulation Code, the Corporation Code, and rules being administered by the Bangko Sentral ng Pilipinas and the SEC;
  b) insolvency;
  c) analogous acts committed in another jurisdiction;
  d) commission of other acts deemed prejudicial, inimical, or causing undue injury to the Corporation, its subsidiaries or affiliates; and
  e) gross negligence or bad faith committed as an officer or director of another company.

The Company constantly updates its Manual on Corporate Governance to ensure that it meets the latest principles of good corporate governance. The latest of such updates was in July 2014, when the Company submitted to the Philippine SEC a further revised Manual on Corporate Governance compliant with the latest SEC issuance on the Code of Corporate Governance.

During the third quarter of 2014, the Company reformatted its website to comply with the prescribed format of the SEC for publicly listed companies.

As First Gen sets its sights on playing an even greater role in the power industry, it will continue to diligently exert every effort necessary to achieve its corporate governance goals and aspirations.

ATTENDANCE OF DIRECTORS IN BOARD MEETINGS HELD IN 2014

DIRECTORS	FEB 27	MAR 19	MAY 12	JUN 16	JUL 28	OCT 1	NOV 13
O.M. Lopez	✓	✓	✓	✓	✓	✓	✓
F.R. Lopez	✓	✓	✓	✓	✓	✓	✓
R.B. Tantoco	✗	✓	✗	✓	✓	✓	✓
F.G.B. Puno	✓	✓	✓	✓	✓	✓	✓
P.D. Garrucho Jr.	✓	✓	✓	✓	✓	✓	✓
E.L. Ibañez	✓	✓	✓	✓	✓	✓	✓
E.L. Lopez III	✗	✓	✓	✓	✓	✗	✓
T.T. Caktiong	✗	✓	✗	✓	✗	✓	✓
J.I. Ayala	✓	✓	✓	✓	✓	✓	✓

Legend: ✓*- Present*
✗*- Absent*

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.

EXHIBIT “B”

Audited Consolidated Financial Statements

and

Audited Financial Statements Stamped received by the BIR

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	1	9	9	8	-	1	8	2	6	0

Company Name

F	I	R	S	T		G	E	N		C	O	R	P	O	R	A	T	I	O	N

Principal Office (No./Street/Barangay/City/Town/Province)

3	r	d		F	l	o	o	r	,		B	e	n	p	r	e	s		B	u	i	l	d	i	n	g	,		E
x	c	h	a	n	g	e		R	o	a	d		c	o	r	n	e	r		M	e	r	a	l	c	o		A	v
e	n	u	e	,		P	a	s	i	g		C	i	t	y															

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A C F S		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.firstgen.com.ph	(02) 631-8024	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
353	05/13	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Maria Carmina Z. Ubaña	czubana@firstgen.com.ph	449-6253	0917-3279054

Contact Person's Address

3rd Floor Benpres Bldg. Exchange Road corner Meralco Avenue, Pasig City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

First Gen Corporation
3/F Benpres Building, Exchange Road corner Meralco Avenue, 1600 Pasig, Metro Manila, Philippines
Tel: +63 (2) 4496400 / Fax: +63 (2) 6314691 / www.firstgen.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

March 12, 2015

Securities and Exchange Commission
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

The management of First Gen Corporation (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the Company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Federico R. Lopez
Chairman and Chief Executive Officer

Francis Giles B. Puno
President and Chief Operating Officer

Emmanuel P. Singson
SVP, CFO and Treasurer

First Gen Corporation
3/F Benpres Building, Exchange Road corner Meralco Avenue, 1600 Pasig, Metro Manila, Philippines
Tel: +63 (2) 4496400 / Fax: +63 (2) 6314691 / www.firstgen.com.ph

APR 0 1 2015

SUBSCRIBED AND SWORN TO before me this ____day of March 2015, affiants exhibited to me their Community Tax Certificate Nos. as follows:

	CTC No.	Date/Place Issued
Federico R. Lopez	34588221	February 1, 2015 / Pasig City
Francis Giles B. Puno	34597169	February 5, 2015 / Pasig City
Emmanuel P. Singson	34597308	February 5, 2015 / Pasig City

Doc. No. 70
Page No. 14
Book No. 35
Series of 2015.

ATTY RICHARD L ANOLIN
NOTARY PUBLIC
COMMISSION NO 2014-059
FOR THE CITY OF MANILA PHILIPPINES
IBP LIFETIME NO 051792 25-05/MLA
PTR NO 3821182 01/05/15/MLA
ROLL NO 33596
MCLE COMPLIANCE NO IV-0023850 18/16/14
RODULFO ANOLIN AND ASSOCIATES LAW OFFICE
2/F YMCA OF MANILA BLDG
#350 ANTONIO VILLEGAS ST
ERMITA MANILA TEL 525-05-86
EMAIL ADD atty richardanolin@yahoo com

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
First Gen Corporation
3rd Floor, Benpres Building
Exchange Road corner Meralco Avenue
Pasig City

We have audited the accompanying consolidated financial statements of First Gen Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

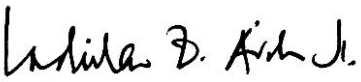
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of First Gen Corporation and Subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Ladislao Z. Avila, Jr.
Partner
CPA Certificate No. 69099
SEC Accreditation No. 0111-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 109-247-891
BIR Accreditation No. 08-001998-43-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751254, January 5, 2015, Makati City

March 12, 2015

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

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 15, 25 and 26)	**$673,893**	$870,253
Receivables (Notes 7, 19, 25, 26 and 27)	**386,985**	334,847
Inventories (Note 8)	**98,675**	109,723
Other current assets (Notes 9, 12, 25 and 26)	**59,672**	61,355
Total Current Assets	**1,219,225**	1,376,178
Noncurrent Assets		
Property, plant and equipment (Notes 10, 15 and 27)	**2,523,991**	2,059,215
Goodwill and intangible assets (Note 11)	**1,207,514**	1,226,835
Deferred income tax assets - net (Note 23)	**27,874**	34,791
Other noncurrent assets (Notes 9, 12, 22, 25, 26 and 27)	**308,671**	217,075
Total Noncurrent Assets	**4,068,050**	3,537,916
TOTAL ASSETS	**$5,287,275**	$4,914,094
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 13, 25, 26 and 27)	**$366,909**	$357,563
Dividends payable (Notes 17, 25 and 26)	**20,056**	20,202
Income tax payable	**8,898**	2,314
Due to related parties (Notes 19, 25 and 26)	**146**	258
Loans payable (Notes 14, 25 and 26)	**–**	53,829
Current portion of:		
Long-term debts (Notes 10, 15, 25 and 26)	**332,269**	124,473
Derivative liabilities (Notes 15, 25 and 26)	**421**	12
Total Current Liabilities	**728,699**	558,651
Noncurrent Liabilities		
Long-term debts - net of current portion (Notes 10, 15, 25 and 26)	**2,512,769**	2,492,144
Derivative liabilities - net of current portion (Notes 15, 25 and 26)	**32,926**	34,579
Retirement and other post-employment benefits (Note 22)	**40,409**	40,469
Deferred income tax liabilities - net (Note 23)	**20,381**	22,946
Other noncurrent liabilities (Note 16)	**39,485**	35,438
Total Noncurrent Liabilities	**2,645,970**	2,625,576
Total Liabilities	**$3,374,669**	$3,184,227

(Forward)



	December 31	
	2014	2013
Equity Attributable to Equity Holders of the Parent Company (Notes 17 and 18)		
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 - net (Note 9)	**354**	344
Cumulative translation adjustments (Notes 17 and 26)	**8,283**	(19,909)
Equity reserve (Notes 2 and 17)	**(372,439)**	(365,496)
Retained earnings (Note 17)	**737,525**	600,974
Cost of common stock held in treasury (Note 17)	**(71,997)**	(62,253)
	1,498,081	1,350,015
Non-controlling Interests (Notes 2 and 17)	**414,525**	379,852
Total Equity	**1,912,606**	1,729,867
TOTAL LIABILITIES AND EQUITY	**$5,287,275**	$4,914,094

See accompanying Notes to Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in U.S. Dollars and in Thousands, Except Per Share Data)

	Years Ended December 31		
	2014	2013	2012
REVENUES FROM SALE OF ELECTRICITY (Notes 10, 27, and 28)	**$1,902,630**	$1,904,919	$2,060,229
COSTS OF SALE OF ELECTRICITY (Notes 8, 10, 11, 20, 22 and 27)	**(1,212,551)**	(1,301,315)	(1,374,641)
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8, 10, 11, 12, 20, 22 and 27)	**(210,192)**	(169,216)	(175,583)
FINANCIAL INCOME (EXPENSE)			
Interest income (Notes 6 and 21)	**6,479**	9,133	13,850
Interest expense and financing charges (Notes 14, 15, 21 and 26)	**(167,487)**	(149,365)	(173,736)
	(161,008)	(140,232)	(159,886)
OTHER INCOME (CHARGES)			
Foreign exchange gains (losses) - net	**(1,700)**	(34,894)	23,745
Recovery on impairment of property, plant and equipment (Note 10)	**46,265**	–	1,499
Proceeds on insurance claims of EDC and FGP	**27,038**	1,037	–
Mark to market gain - financial assets at fair value through profit or loss (FVPL) (Notes 9, 26 and 27)	**532**	–	–
Mark-to-market gain on derivatives - net (Note 26)	**171**	337	259
Reversal of (loss on) impairment of damaged assets due to Typhoon Yolanda (Notes 8 and 10)	**1,025**	(14,810)	–
Loss on impairment of exploration and evaluation assets (Note 12)	**–**	(13,621)	–
Others - net	**3,908**	(2,891)	(5,083)
	77,239	(64,842)	20,420
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**396,118**	229,314	370,539
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**74,780**	63,313	60,973
Deferred	**3,240**	(1,594)	(2,146)
	78,020	61,719	58,827
NET INCOME FROM CONTINUING OPERATIONS	**318,098**	167,595	311,712
NET INCOME FROM DISCONTINUED OPERATIONS (Note 4)	**–**	–	2,297
NET INCOME	**$318,098**	$167,595	$314,009
Net income attributable to:			
Equity holders of the Parent Company	**$193,155**	$118,077	$189,834
Non-controlling interests	**124,943**	49,518	124,175
	$318,098	$167,595	$314,009
Basic/Diluted Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company (Note 24)	**$0.052**	$0.029	$0.050

See accompanying Notes to Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in U.S. Dollars and in Thousands)

	Years Ended December 31		
	2014	2013	2012
NET INCOME	**$318,098**	$167,595	$314,009
OTHER COMPREHENSIVE INCOME (LOSS):			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Exchange gains (losses) on foreign currency translation	**(14,558)**	(143,124)	114,102
Net gains (losses) on cash flow hedge - net of tax (Note 26)	**(389)**	20,326	(1,665)
Unrealized gains (losses) on AFS financial assets (Note 9)	**24**	(756)	(561)
	(14,923)	(123,554)	111,876
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Re-measurement of retirement and other post-employment benefits - net of tax	**9,117**	(4,522)	(12,625)
Total other comprehensive income (loss) - net of tax	**(5,806)**	(128,076)	99,251
TOTAL COMPREHENSIVE INCOME	**$312,292**	$39,519	$413,260
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**$230,918**	$32,359	$264,991
Non-controlling interests	**81,374**	7,160	148,269
	$312,292	$39,519	$413,260

See accompanying Notes to Consolidated Financial Statements.



FIRST GEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

(Amounts in U.S. Dollars and in Thousands)

	Equity Attributable to Equity Holders of the Parent Company (Notes 17 and 18)												
	Capital Stock												
	Redeemable Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Share in Other Comprehensive Income (Losses) of Associates	Cumulative Translation Adjustments	Accumulated Unrealized Gain (Loss) 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
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	–	–	–	–	**28,192**	**10**	–	**9,561**	**193,155**	–	**230,918**	**81,374**	**312,292**
Re-measurement of retirement and other post-employment benefits closed to retained earnings	–	–	–	–	–	–	–	**(9,561)**	**9,561**	–	–	–	–
Common shares acquired by subsidiaries (Note 17)	–	–	–	–	–	–	–	–	–	**(9,744)**	**(9,744)**	–	**(9,744)**
Share in employee trusts of EDC	–	–	–	–	–	–	–	–	–	–	–	**176**	**176**
Investment from non-controlling interest of EDC	–	–	–	–	–	–	–	–	–	–	–	**46**	**46**
Cash dividends on preferred shares (Note 17)	–	–	–	–	–	–	–	–	**(39,893)**	–	**(39,893)**	–	**(39,893)**
Cash dividends on common shares (Note 17)	–	–	–	–	–	–	–	–	**(26,272)**	–	**(26,272)**	–	**(26,272)**
Acquisition of non-controlling interests - PTHC	–	–	–	–	–	–	**(111)**	–	–	–	**(111)**	**(977)**	**(1,088)**
Acquisition of non-controlling interests - EDC	–	–	–	–	–	–	**(6,832)**	–	–	–	**(6,832)**	**(3,748)**	**(10,580)**
Dividends of subsidiaries (Note 17)	–	–	–	–	–	–	–	–	–	–	–	**(42,198)**	**(42,198)**
BALANCES AT DECEMBER 31, 2014	**$69,345**	**$74,728**	**$1,052,282**	**$–**	**$8,283**	**$354**	**($372,439)**	**$–**	**$737,525**	**($71,997)**	**$1,498,081**	**$414,525**	**$1,912,606**
BALANCES AT DECEMBER 31, 2012	$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)	–	–	–	–	(82,829)	(303)	–	(2,586)	118,077	–	32,359	7,160	39,519
Re-measurement of retirement and other post-employment benefits closed to retained earnings	–	–	–	–	–	–	–	2,586	(2,586)	–	–	–	–
Exercise of stock options (Note 17)	–	13	102	–	–	–	–	–	–	–	115	–	115
Common shares acquired by subsidiaries (Note 17)	–	–	–	–	–	–	–	–	–	(3,018)	(3,018)	–	(3,018)
Share in employee trusts of EDC	–	–	–	–	–	–	–	–	–	–	–	270	270
Cash dividends on preferred shares (Note 17)	–	–	–	–	–	–	–	–	(41,654)	–	(41,654)	–	(41,654)
Cash dividends on common shares (Note 17)	–	–	–	–	–	–	–	–	(39,153)	–	(39,153)	–	(39,153)
Acquisition of non-controlling interests	–	–	–	–	–	–	(8,287)	–	–	–	(8,287)	(4,223)	(12,510)
Dividends of subsidiaries (Note 17)	–	–	–	–	–	–	–	–	–	–	–	(35,596)	(35,596)
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**

(Forward)

	Equity Attributable to Equity Holders of the Parent Company (Notes 17 and 18)												
	Capital Stock												
	Redeemable Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Share in Other Comprehensive Income (Losses) of Associates	Cumulative Translation Adjustments	Accumulated Unrealized Gain (Loss) 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
BALANCES AT DECEMBER 31, 2011	$38,159	$74,701	$801,148	$–	($19,281)	$871	($66,759)	$–	$418,389	($52,987)	$1,194,241	$518,142	$1,712,383
Total comprehensive income (loss)	–	–	–	–	82,201	(224)	–	(6,820)	189,834	–	264,991	148,269	413,260
Re-measurement of retirement and other post-employment benefits closed to retained earnings	–	–	–	–	–	–	–	6,820	(6,820)	–	–	–	–
Proceeds from issuance of Series "G" Perpetual Preferred shares (Notes 1 and 17)	31,186	–	253,159	–	–	–	–	–	–	–	284,345	–	284,345
Transaction costs from issuance of Series "G" Perpetual Preferred shares	–	–	(2,232)	–	–	–	–	–	–	–	(2,232)	–	(2,232)
Exercise of stock options (Note 17)	–	14	105	–	–	–	–	–	–	–	119	–	119
Acquisition of non-controlling interests in First Gas Group (Note 2)	–	–	–	–	–	–	(248,780)	–	–	–	(248,780)	(202,079)	(450,859)
Acquisition of non-controlling interests in EDC	–	–	–	–	–	–	(41,670)	–	–	–	(41,670)	(21,145)	(62,815)
Common shares acquired by subsidiaries (Note 17)	–	–	–	–	–	–	–	–	–	(6,248)	(6,248)	–	(6,248)
Investments from non-controlling shareholders in PT EDC Indonesia, PT EDC Panas Bumi Indonesia and EDC Quellaapacheta	–	–	–	–	–	–	–	–	–	–	–	30	30
Share in employee trusts of EDC	–	–	–	–	–	–	–	–	–	–	–	583	583
Cash dividends on preferred shares (Note 17)	–	–	–	–	–	–	–	–	(35,113)	–	(35,113)	–	(35,113)
Dividends of subsidiaries (Note 17)	–	–	–	–	–	–	–	–	–	–	–	(31,559)	(31,559)
BALANCES AT DECEMBER 31, 2012	**$69,345**	**$74,715**	**$1,052,180**	**$–**	**$62,920**	**$647**	**($357,209)**	**$–**	**$566,290**	**($59,235)**	**$1,409,653**	**$412,241**	**$1,821,894**

See accompanying Notes to Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in U.S. Dollars and in Thousands)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**$396,118**	$229,314	$370,539
Income before income tax from discontinued operations (Note 4)	**–**	–	3,282
Income before income tax	**396,118**	229,314	373,821
Adjustments for:			
Depreciation and amortization (Notes 10, 11 and 20)	**163,910**	159,183	158,002
Interest expense and financing charges (Note 21)	**167,487**	149,365	173,736
Unrealized foreign exchange losses (gains) - net	**2,261**	32,137	(29,904)
Recovery on impairment of property, plant and equipment (Note 10)	**(46,265)**	–	(1,499)
Gain on sale of property, plant & equipment (Note 19)	**(8,167)**	–	–
Loss on (reversal of) impairment of damaged assets due to Typhoon Yolanda (Notes 8 and 10)	**(1,025)**	14,810	–
Loss on impairment of exploration and evaluation assets (Note 12)	**–**	13,621	–
Loss on direct write-off of input VAT claims (Note 12)	**5,280**	5,214	–
Loss on debt extinguishment (Note 15)	**–**	–	4,434
Interest income (Note 21)	**(6,479)**	(9,133)	(13,850)
Mark-to-market gain on financial assets at FVPL (Note 26)	**(532)**	–	–
Mark-to-market gain on derivatives - net (Note 26)	**(171)**	(337)	(259)
Income before working capital changes	**672,417**	594,174	664,481
Decrease (increase) in:			
Receivables	**(52,239)**	(41,878)	(32,646)
Inventories	**11,048**	51,519	17,176
Other current assets	**2,227**	(16,803)	6,377
Increase (decrease) in:			
Accounts payable and accrued expenses	**17,883**	(37,042)	40,018
Retirement and other post-employment benefits	**(798)**	751	(19,045)
Net cash generated from operations	**650,538**	550,721	676,361
Interest received	**6,479**	9,133	13,850
Income taxes paid	**(68,170)**	(68,314)	(60,061)
Net cash flows from operating activities	**588,847**	491,540	630,150
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (Note 10)	**(605,658)**	(311,267)	(162,242)
Intangible assets (Note 11)	**(1,952)**	(4,070)	–
Other noncurrent assets	**(83,269)**	(59,095)	(70,798)
Exploration and evaluation assets	**(9,268)**	(32,025)	(12,183)
Financial assets at FVPL (Note 9)	**(11,274)**	–	–
EDC's acquisition of Hot Rock entities	**(3,003)**	–	–
AFS financial assets	**–**	(1,552)	(1,998)

(Forward)

	Years Ended December 31		
	2014	2013	2012
Proceeds from disposal of property and equipment	**$33,363**	$1,498	$111
Redemption of AFS financial assets	**7,811**	3,091	–
Proceeds from revenue generated from testing property, plant and equipment (Note 10)	**–**	33,210	12,263
Net cash used in investing activities	**(673,250)**	(370,210)	(234,847)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of long-term debt - net of debt issuance costs (Note 15)	**516,994**	541,669	619,862
Investment from non-controlling interest of EDC	**46**	–	–
Availment of short-term loans (Note 14)	**–**	53,829	78,769
Exercise of stock options (Notes 2 and 17)	**–**	115	119
Issuance of Perpetual Preferred shares - net of transaction costs (Note 17)	**–**	–	282,113
Payments of:			
Long-term debts (Note 15)	**(286,670)**	(138,180)	(561,876)
Interest expense and financing charges	**(161,481)**	(139,411)	(167,370)
Short-term loans (Note 14)	**(53,829)**	–	(78,769)
Dividends to non-controlling shareholders of subsidiaries (Note 17)	**(42,198)**	(35,596)	(31,559)
Cash dividends to preferred shareholders (Note 17)	**(40,075)**	(44,092)	(23,405)
Cash dividends to common shareholders (Note 17)	**(26,272)**	(38,937)	–
Acquisition of non-controlling interest in EDC	**(10,580)**	(12,510)	(62,815)
Acquisition of non-controlling interest in PTHC	**(1,088)**	–	–
Acquisition of non-controlling interests in First Gas Group (Note 2)	**–**	–	(360,000)
Redemption of convertible bonds (Note 14)	**–**	(72,972)	–
Buy-back of convertible bonds	**–**	–	(16,419)
Parent Company shares acquired by subsidiaries (Note 17)	**(9,744)**	(3,018)	(6,248)
Proceeds from (payments to) related parties	**(112)**	115	(440)
Increase in other noncurrent liabilities	**3,021**	5,510	10,120
Net cash flows from (used in) financing activities	**(111,988)**	116,522	(317,918)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**31**	(610)	1,040
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(196,360)**	237,242	78,425
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**870,253**	633,011	554,586
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**$673,893**	$870,253	$633,011

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

First Gen Corporation (the Parent Company or First Gen) is 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 was incorporated in British Virgin Islands (BVI) until June 2014. 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 stocks, including the exercised greenshoe option of 12,501,700 common stocks, 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) (see Note 17).

On January 20, 2015, the Parent Company authorized the issuance and sale of an aggregate of 297,029,800 common stocks to be taken from its unissued capital stock and treasury stock at an identical issue price of ₱25.25 per share (the "Offer Price"). The price represents a 2.9 % discount to the last traded price of ₱26.00 per share. The placement was conducted via an accelerated bookbuilding process. First Gen's parent company, First Philippine Holdings Corporation (FPH), which has a 66.2% stake in First Gen's issued and outstanding common stocks, agreed to subscribe to its pro-rata share in the transaction. The Parent Company will issue to FPH 179,127,900 common stocks from treasury stock, as well as 17,623,100 common stocks from unissued capital stock, at the Offer Price. Following the subscription, FPH will maintain its 66.2% stake in the Parent Company's issued and outstanding common stock.

As of December 31, 2014 and 2013, 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 an 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 353 common stockholders of record and 3,312,789,057 common stocks issued and outstanding (see Note 17).

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

The consolidated financial statements of First Gen Group were reviewed and recommended for approval by the Audit Committee to the Board of Directors (BOD) on March 12, 2015. The same consolidated financial statements were approved and authorized for issuance by the BOD on March 12, 2015.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets at FVPL, and available-for-sale (AFS) financial assets that have been measured at fair value. The 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 consolidated financial statements of First Gen Group have been prepared in compliance with PFRS as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

Significant Accounting and Financial Reporting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS and new Philippine Interpretation which the First Gen Group has adopted starting January 1, 2014.

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

- Investment Entities (PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Accounting Standards (PAS) 27, *Separate Financial Statements*), provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The application of these exceptions 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 the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The amendments affect presentation only and have no impact on First Gen Group's financial position or performance.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments), removes the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. 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 and retrospective application is required. First Gen Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- Philippine Interpretation from International Financial Reporting Interpretation Committee (IFRIC) 21, *Levies*, 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. Retrospective application is required for IFRIC 21. The amendment has no impact on First Gen Group's financial position or performance as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of the Philippine Interpretation from IFRIC 21 in prior years.

Improvements to PFRSs
The Annual Improvements to PFRSs contain non-urgent but necessary amendments to PFRSs.

2010-2012 Cycle
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables* is effective immediately and clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has no significant impact on First Gen Group's financial position or performance.

2011-2013 Cycle
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"* is effective immediately and clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but 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.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31 each year.

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 losses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the 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 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 consolidated statement of income and within equity in the 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 years ended December 31, 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. For the year ended December 31, 2012, the non-controlling interests arise from the profits or losses and net assets not held by First Gen Group in First Gas Holdings Corporation (FGHC) and Subsidiaries, FGP Corp. (FGP) and First NatGas Power Corp. (FNPC) [collectively referred to as First Gas Group] until May 30, 2012, and 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 Holdings, Corp (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 December 31, 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. 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] own 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 in Prime Terracota and First Gas Group were 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 Prime Terracota and 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 First Gas Group by 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 2012 consolidated statement of financial position and consolidated statement of changes in equity. As of December 31, 2012, 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:

	Percentage of Voting Interest		
	2014	2013	2012
First Gen Renewables, Inc. (FGRI)[16]	**100**	100	100
Unified Holdings Corporation (Unified)	**100**	100	100
AlliedGen Power Corp. (AlliedGen)	**100**	100	100
First Gen Luzon Power Corp. (FG Luzon)	**100**	100	100
First Gen Visayas Hydro Power Corporation (FG Visayas)	**100**	100	100
First Gen Mindanao Hydro Power Corporation (FG Mindanao)	**100**	100	100
First Gen Ecopower Solutions, Inc. [formerly First Gen Geothermal Power Corporation] (FG Ecopower)	**100**	100	100
First Gen Energy Solutions Inc. (FGES)	**100**	100	100
First Gen Premier Energy Corp. (FG Premier)	**100**	100	100
First Gen Prime Energy Corporation (FG Prime)	**100**	100	100
First Gen Visayas Energy, Inc. (FG Visayas Energy)	**100**	100	100
FG Bukidnon Power Corporation (FG Bukidnon)[1]	**100**	100	100
Northern Terracotta Power Corp. (Northern Terracotta)	**100**	100	100
Blue Vulcan[5, 16]	**100**	100	100
Prime Meridian Powergen Corporation (Prime Meridian)	**100**	100	100
Bluespark[5, 16]	–	100	100
Goldsilk[5, 16]	**100**	100	100
Dualcore[5, 16]	**100**	100	100
Onecore[5, 16]	**100**	100	100
FG Mindanao Renewables Corp. (FMRC)[6]	**100**	100	100
FGen Northern Mindanao Holdings, Inc. (FNMHI)[6]	**100**	100	100
FGen Tagoloan Hydro Corporation (FG Tagoloan)[7]	**100**	100	100
FGen Tumalaong Hydro Corporation (FG Tumalaong)[7]	**100**	100	100
FGen Puyo Hydro Corporation (FG Puyo)[8]	**100**	100	100
FGen Bubunawan Hydro Corporation (FG Bubunawan)[8]	**100**	100	100
FGen Cabadbaran Hydro Corporation (FG Cabadbaran)[8]	**100**	100	100
FGHC[5, 16]	**100**	100	100
FGP[2, 16]	**100**	100	100
FNPC[3]	**100**	100	100
First Gas Power Corporation (FGPC)[4, 16]	**100**	100	100
First Gas Pipeline Corporation (FG Pipeline)[4, 16]	**100**	100	100
FGLand Corporation (FG Land)[4, 16]	**100**	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)[11]	**100**	–	–
FGen Power Ventures, Inc. (FGEN Power Ventures)[11]	**100**	–	–
FGen Casecnan Hydro Power Corp. (FGEN Casecnan)[12]	**100**	–	–
FGen Power Holdings, Inc. (Power Holdings)[13]	**100**	–	–
FGen Prime Holdings, Inc. (Prime Holdings)[13]	**100**	–	–
FGen Eco Solutions Holdings, Inc. (FGESHI)[13]	**100**	–	–
FGen Liquefied Natural Gas Holdings, Inc. (Liquefied Holdings)[14]	**100**	–	–
FGen Reliable Energy Holdings, Inc. (FG Reliable Energy)[17]	**100**	–	–
FGen Power Solutions, Inc. (FG Power Solutions)[18]	**100**	–	–
FGen Vibrant Blue Sky Holdings, Inc. (FGVBSHI)[19]	**100**	–	–

	Percentage of Voting Interest		
	2014	2013	2012
FGen Aqua Power Holdings, Inc. (FG Aqua Power)[19]	**100**	–	–
Prime Terracota[9, 10, 15]	**73**	45	45
First Gen Hydro Power Corporation (FG Hydro)[9, 10]	**40**	40	40

[1]*Through FGRI*
[2]*Through Unified*
[3]*Through AlliedGen*
[4]*Through FGHC*
[5]*On 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.*
[6]*Through FG Mindanao*
[7]*Through FMRC*
[8]*Through FNMHI*
[9]*As a result of the adoption of PFRS 10 effective January 1, 2013).*
[10]*As a result of the adoption of PFRS 10 effective January 1, 2013). As of December 31, 2014, direct voting interest by the Parent Company in FG Hydro is 40% while its effective economic interest is 70.0% through Prime Terracota.*
[11]*On January 3, 2014, FGEN Northern Power and FGEN Power Ventures were incorporated and registered with the Philippine SEC.*
[12]*On January 16, 2014, FGEN Casecnan was incorporated and registered with the Philippine SEC.*
[13]*On August 6, 2014, Power Holdings, Prime Holdings, and FGESHI were incorporated and registered with the Philippine SEC.*
[14]*On September 25, 2014, Liquefied Holdings was incorporated and registered with the Philippine SEC.*
[15]*On 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 December 31, 2014, the Parent Company'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 50.9% through Prime Terracota.*
[16]*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 the Parent Company. FGRI now effectively owns 40.0% voting and economic interest in FGHC and subsidiaries, and FGP. Prior to the merger, FGRI was a wholly-owned subsidiary of the Parent Company.*
[17]*On October 24, 2014, FG Reliable Energy was incorporated and registered with the Philippine SEC.*
[18]*On November 11, 2014, FG Power Solutions was incorporated and registered with the Philippine SEC.*
[19]*On November 14, 2014, FGVBSHI and FG Aqua Power were incorporated and registered with the Philippine SEC.*

All of the foregoing subsidiaries are incorporated in the Philippines, except for Bluespark which was originally incorporated in BVI. Bluespark is now merged with FGRI following the approval of Plan and Articles of Merger by the Philippine SEC on June 17, 2014.

As of December 31, 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, FG Pipeline, FG Land, FGEN LNG, LNG Holdings, FGEN Meridian, FGEN Northern Power, FGEN Power Ventures, FGEN Casecnan, Power Holdings, Prime Holdings, FGESHI, Liquefied Holdings, FG Reliable Energy, FG Power Solutions, FGVBSHI, and FG Aqua Power have not started commercial operations.

As of December 31, 2013, 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, FG Pipeline, FG Land, FGEN LNG, LNG Holdings, and FGEN Meridian have not started commercial operations.

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

	Percentage of Voting Interest	
	2014	2013
Red Vulcan	**100**	100
EDC	**60**	60
First Gen Hydro Power Corporation (FG Hydro)	**60**	60
EDC Drillco Corporation (EDC Drillco)	**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

	Percentage of Voting Interest	
	2014	2013
Bac-Man Energy Development Corporation (BEDC)	**60**	60
Kayabon Geothermal, Inc. (KGI)	**60**	60
Mount Apo Renewable Inc. (MAREI) [4]	**60**	–
EDC Chile Limitada	**60**	60
EDC Wind Energy Holdings, Inc. (EWEHI)	**60**	60
EDC Burgos Wind Power Corporation (EBWPC)	**60**	60
EDC Pagudpud Wind Power Corporation (EPWPC)	**60**	60
EDC Bayog Burgos Power Corporation (EBBPC) [4]	**60**	–
EDC Pagali Burgos Wind Power Corporation (EPBWPC) [4]	**60**	–
EDC Bright Solar Energy Holdings, Inc. (EBSEHI) [4]	**60**	–
EDC Bago Solar Power Corporation (EBSPC) [4]	**60**	–
EDC Burgos Solar Corporation (EBSC) [4]	**60**	–
EDC Holdings International Limited (EHIL)	**60**	60
Energy Development Corporation Hong Kong Limited (EDC HKL)	**60**	60
EDC Chile Holdings SPA[3]	**60**	60
EDC Geotermica Chile[3]	**60**	60
EDC Peru Holdings S.A.C.[3]	**60**	60
EDC Geotermica Peru S.A.C.[3]	**60**	60
EDC Quellaapacheta[3]	**60**	60
EDC Geotermica Del Sur S.A.C.[1, 3]	**60**	60
EDC Energia Azul S.A.C.[1, 3]	**60**	60
Geothermica Crucero Peru S.A.C.[2, 3]	**42**	42
EDC Energía Perú S.A.C.[1, 3]	**60**	60
Geothermica Tutupaca Norte Peru S.A.C.[2, 3]	**42**	42
EDC Energía Geotérmica S.A.C. [1, 3]	**60**	60
EDC Progreso Geotérmico Perú S.A.C.[1, 3]	**60**	60
Geothermica Loriscota Peru S.A.C.[2, 3]	**42**	42
EDC Energía Renovable Perú S.A.C.[1, 3]	**60**	60
PT EDC Indonesia[3]	**60**	57
PT EDC Panas Bumi Indonesia [3]	**60**	57
EDC Soluciones Sostenibles Ltd	**60**	–
EDC Energia Verde Chile SpA	**60**	–
EDC Energia de la Tierra SpA	**60**	–
EDC Desarollo Sostenible Ltd	**60**	–
EDC Energia Verde Peru SAC	**60**	–
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]Through EHIL and was incorporated on February 27, 2013 in Lima, Peru
[2]Through EHIL and were incorporated in 2013
[3]Subsidiary of EDC HKL
[4]Incorporated and registered in the Philippine SEC in 2014

As of December 31, 2014 and 2013, all subsidiaries of EDC HKL remained non-operating.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value on acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at its proportionate share in the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When First Gen Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any gain or loss on remeasurement is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, is recognized in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, either in the consolidated statement of income or charged to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, First Gen Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognized at the acquisition date. If this consideration still results in an excess of the fair value of the net assets of the subsidiary acquired over the aggregate consideration transferred, the difference is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the First Gen Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Fair Value Measurement

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal market or the most advantageous market must be accessible to First Gen Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

First Gen Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, First Gen Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to cash with original maturities of three months or less from date of placement and that are subject to an insignificant risk of changes in value.

Financial Instruments
Date of recognition
Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when First Gen Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting. Derivatives are also recognized on a trade date basis.

Initial recognition of financial instruments
All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for financial instruments at fair value through profit or loss (FVPL). First Gen Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or loans and borrowings. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.



"Day 1" difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, First Gen Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income, unless it qualifies for recognition as some other type of asset. In cases where data which is not observable are used, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, First Gen Group determines the appropriate method of recognizing the "Day 1" difference amount.

Financial assets and liabilities at FVPL
Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held for trading if these are acquired for the purposes of selling and repurchasing in the near term.

Derivatives, including any separated embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless these are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Classified under financial instruments at FVPL are EDC's financial assets at FVPL, foreign currency forward contracts, and foreign currency swap contracts as of December 31, 2014 and 2013 (see Notes 9, 25 and 26). These derivatives were not designated as hedging instruments by First Gen Group and do not qualify as effective accounting hedges.

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which First Gen Group's management has the positive intention and ability to hold to maturity. Where First Gen Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are subsequently measured at amortized cost using

the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement on foreign currency-denominated HTM investments are also recognized in the consolidated statement of income.

First Gen Group has no HTM investments as of December 31, 2014 and 2013.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. Loans and receivables are classified as current assets if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized and impaired, as well as through the amortization process.

Classified under loans and receivables are cash and cash equivalents and receivables as of December 31, 2014 and 2013 (see Notes 6, 7, 19, 25 and 26).

AFS financial assets
AFS financial assets are those non-derivative financial assets which are designated as such or do not qualify to be classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets are classified as current assets if management intends to sell these financial assets within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealized gains and losses being recognized as other comprehensive income (losses) until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported as other comprehensive income (loss) is recognized in the consolidated statement of income. First Gen Group uses the specific identification method in determining the cost of securities sold. Unquoted equity securities and investment in proprietary club membership shares are carried at cost, net of impairment (if any).

Classified under AFS financial assets are quoted and unquoted investments in government securities, proprietary club membership and equity shares recorded as part of "Current assets and Other noncurrent assets" accounts as of December 31, 2014 and 2013 (see Notes 9, 12, 25 and 26).

Loans and borrowings
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings. Loans and borrowings are classified as current liabilities if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent liabilities.



Loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Debt issuance costs incurred in connection with availments of long-term debt and issuances of Notes are deferred and amortized using the effective interest method over the term of the loans and Notes. Debt issuance costs are included in the measurement of the related long-term debts, and are allocated accordingly to the respective current and noncurrent portions.

Classified under loans and borrowings are accounts payable and accrued expenses, due to related parties, loans payable, dividends payable, and long-term debts as of December 31, 2014 and 2013 (see Notes 13, 14, 15, 16, 19, 25 and 26).

Derivative Financial Instruments and Hedge Accounting

First Gen Group enters into derivative and hedging transactions, primarily interest rate swaps, cross-currency swaps, and foreign currency forwards, as needed, for the sole purpose of managing the risks that are associated with First Gen Group's borrowing activities or as required by the lenders in certain cases.

Derivative financial instruments (including bifurcated embedded derivatives) are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from changes in fair value on derivatives that do not qualify for hedge accounting is taken directly to the consolidated statement of income for the current year under the "Mark-to-market gain on derivatives - net" account.

For purposes of hedge accounting, derivatives can be designated either as cash flow hedges or fair value hedges depending on the type of risk exposure it hedges.

At the inception of a hedge relationship, First Gen Group formally designates and documents the hedge relationship to which First Gen Group opts to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

Cash flow hedges are hedges of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect the consolidated statement of income. The effective portion of the gain or loss on the hedging instrument if any, is recognized as other comprehensive income (loss) in the "Cumulative translation adjustments" account in the consolidated statement of financial position while the ineffective portion is recognized as "Mark-to-market gain on derivatives - net" account in the consolidated statement of income.



Amounts taken to other comprehensive income (loss) are transferred to the consolidated statement of income when the hedged transaction affects profit or loss, such as when hedged financial income or expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to other comprehensive income (loss) are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in other comprehensive income (loss) are transferred to the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income (loss) remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is recognized in the consolidated statement of income.

First Gen Group accounts for its interest rate swap agreements as cash flow hedges of the floating rate exposure of its long-term debts. First Gen Group also entered into cross-currency swaps and foreign currency forwards accounted for as cash flow hedges for its Philippine peso-denominated loans and Euro-denominated liabilities, respectively (see Notes 25 and 26).

In the case of EDC, it has existing cross currency swaps to partially hedge its exposure to foreign currency and interest rate risks on its floating rate Club Loan that is benchmarked against US London Inter-Bank Offered Rate (LIBOR) (see Notes 25 and 26).

First Gen Group has no derivatives that are designated as fair value hedges as of December 31, 2014 and 2013.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

First Gen Group assesses whether embedded derivatives are required to be separated from the host contracts when First Gen Group first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives are bifurcated from their host contracts, when the following conditions are met:

(a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets and liabilities at FVPL;
(b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and
(c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in the consolidated statement of income.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- First Gen Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- First Gen Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where First Gen Group has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of First Gen Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that First Gen Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets

First Gen Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables carried at amortized cost, First Gen Group first assesses whether an objective evidence of impairment (such as the probability of insolvency or significant financial difficulties of the debtor) exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is an objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying value and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If First Gen Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to

the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

The carrying value of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable. Interest income continues to be recognized based on the original effective interest rate of the asset. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

AFS financial assets
For AFS financial assets, First Gen Group assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the investments below its cost is considered an objective evidence of impairment. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income (loss), is removed from other comprehensive income (loss) and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income (loss).

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of the "Interest income" in the consolidated statement of income. If, in a subsequent year, the fair value of a debt instrument increases and that increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Offsetting Financial Instruments
Financial assets and liabilities are offset with the net amount reported in the consolidated statement of financial position, if and only if:

- there is a currently enforceable legal right to offset the recognized amounts; and
- there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories

Inventories are carried at the lower of cost and net realizable value (NRV). Cost of fuel inventories is determined using the weighted average cost method, while the costs for spare parts and supplies are determined using the moving average method. The NRV for fuel inventories of FGP and FGPC is the fuel cost charged to Manila Electric Company (Meralco), under the respective Power Purchase Agreements (PPA) of FGP and FGPC with Meralco [see Note 27(a)], which is based on weighted average cost of actual fuel consumed. In the case of EDC, cost includes the invoice amount, net of trade and cash discounts. The NRV for spare parts and supplies is the current replacement cost.

Prepaid Expenses

Prepaid expenses are expenses paid in advance and recorded as asset before these are utilized. This account comprises prepaid expenses, creditable withholding tax certificates and advances to contractors. The prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statement of income when incurred; creditable withholding tax certificates are deducted from income tax payable on the same year the revenue was recognized; and the advances to contractors are reclassified to the proper asset or expense accounts and deducted from the contractor's billings as specified on the provision of the contract. Prepaid expenses that are expected to be realized for a period of no more than 12 months after the financial reporting period are classified as current asset; otherwise, these are classified as other noncurrent asset.

Prepaid Taxes

Prepaid taxes (included in the "Other current assets" account in the consolidated statement of financial position) are carried at cost less any impairment in value. Prepaid taxes consist mainly of tax credits that can be used by First Gen Group in the future. Tax credits represent unapplied certificates for claims from input value-added tax (VAT) credits received from the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC). Such tax credits may be used for payment of internal revenue taxes or customs duties.

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 does not control or jointly control those policies.

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

	Percentage of Voting Interest		
	2014	2013	2012
First Gen Northern Energy Corp. (FGNEC)[1]	**33**	33	33
Bauang Private Power Corporation (BPPC)[2]	**37**	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 December 31, 2014 and 2013, the investments in FGNEC and BPPC amounted to nil. These associates are not significant to First Gen Group, thus, summarized financial information are not presented in the consolidated financial statements.

Under the equity method, such investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in First Gen Group's share in net assets of the associate. First Gen Group's share in its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share in post-acquisition movements in the associates' other comprehensive income (loss) is recognized directly in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When First Gen Group's share in losses of an associate equals or exceeds its interest in the associate, including any other unsecured receivables, First Gen Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associates.

Unrealized intercompany profits or losses arising from the transactions with the associates are eliminated to the extent of First Gen Group's interest in the associates.

The reporting dates of the associates and First Gen Group are identical and the associates' accounting policies conform to those used by First Gen Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, First Gen Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, amortization and impairment in value, if any. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment consists of the purchase price including import duties, borrowing costs (during the construction period) and other costs directly attributable to bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of such property, plant and equipment when the recognition criteria are met and the estimated present value of the cost of dismantling and removing the asset and restoring the site.

The income generated wholly and necessarily as a result of the process of bringing the asset to the location and condition for its intended use (e.g., net proceeds from selling any items produced while testing whether the asset is functioning properly) is credited to the cost of the asset. When the incidental operations are not necessary to bringing an item to the location and condition necessary for it to be capable of operating in the manner intended by management, the income and related expenses of incidental operations are not offset against the cost of the asset but are recognized in profit or loss and included in their respective classifications of income and expense.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to the consolidated statement of income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.



First Gen Group divided the power plant assets into significant parts. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated and amortized separately. Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

Asset Type	Number of Years
Power plants	15-30
Buildings, improvements and other structures	5-35
Exploration, machinery and equipment	2-25
Fluid Collection and Recycling System (FCRS)	13-20
Production wells	10-40
Furniture, fixtures and office equipment	3-10
Transportation equipment	5-10
Laboratory equipment	5-10
Leasehold improvements	5 or lease term with no renewal option, whichever is shorter

The useful lives and depreciation and amortization method are reviewed at each financial reporting date to ensure that the years and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Depreciation of an item of property, plant and equipment begins when it becomes available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized. Leasehold improvements are amortized over the lease term or the economic life of the related asset, whichever is shorter.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the assets (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated statements of income in the year the asset is derecognized.

Property, plant and equipment also includes the estimated rehabilitation and restoration costs of EDC's steam fields and power plants located in the contract areas for which EDC is constructively liable. These costs are included under "FCRS and Production Wells" account (see Note 10).

Construction in progress and major spares and surplus assets available for use are stated at cost and is not depreciated until such time that the assets are put into operational use.

Prepaid Major Spare Parts

Prepaid major spare parts (included in the "Other noncurrent assets" account in the consolidated statement of financial position) are stated at cost less any impairment in value. Prepaid major spare parts pertain to the advance payments made to Siemens Power Operations, Inc. (SPOI) for the major spare parts that will be replaced during the scheduled maintenance outage.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition. The intangible assets arising from the business combination are recognized initially at fair values.

Following initial recognition, intangible assets are carried at cost less accumulated amortization and any impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are reflected in the consolidated statement of income in the year the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized using the straight-line method over the estimated useful economic life, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization shall begin when the asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortization period and method for an intangible asset with a finite useful life are reviewed at least each financial reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the said intangible asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made prospectively.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and are recognized in the consolidated statement of income in the year the asset is derecognized.

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).

Water Rights
The cost of water rights of FG Hydro is measured on initial recognition at cost. Following initial recognition of the water rights, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses, if any. Water rights are amortized using the straight-line method over 25 years, which is the term of the agreement with the National Irrigation Administration (NIA).

Wind Energy Project Development Costs
Project development costs are expensed as incurred until management determines that the project is technically, commercially and financially viable, at which time, project development costs are capitalized. Project viability generally occurs in tandem with management's determination that a project should be classified as an advanced project, such as, when favorable results of a system impact study are received, interconnected agreements are obtained and project financing is in place.



Following initial recognition of the project development cost as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. The wind farm assets will then be presented as property, plant and equipment upon declaration of commerciality. During the period in which the asset is not yet available for use, the project development costs are tested for impairment annually, irrespective of whether there is any indication of impairment.

Computer Software and Licenses
The costs of acquisition of computer software and licenses are capitalized as intangible asset if such costs are not integral part of the related hardware.

These intangible assets are initially measured at cost. Subsequently, these are measured at cost less accumulated amortization and allowance for impairment losses, if any. Amortization of computer software is computed using the straight-line method of over 5 years.

Exploration and Evaluation Assets
EDC follows the full cost method of accounting for its exploration costs determined on the basis of each service contract area. Under this method, all exploration costs relating to each service contract are accumulated and deferred under the "Exploration and evaluation assets" account in the consolidated statement of financial position pending the determination of whether the wells have proved reserves. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. General overhead or costs incurred prior to having obtained the legal rights to explore an area are recognized as expense in the consolidated statement of income when incurred.

If tests conducted on the drilled exploratory wells reveal that these wells cannot produce proved reserves, the capitalized costs are charged to expense except when management decides to use the unproductive wells, for recycling or waste disposal. Once the technical feasibility and commercial viability of the project to produce proved reserves are established, the exploration and evaluation assets shall be reclassified to property, plant and equipment.

Impairment of Non-financial Assets
Property, plant and equipment, water rights, pipeline rights, exploration and evaluation assets, input VAT claims for refund/tax credits, and prepaid major spare parts
At each financial reporting date, First Gen Group assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists, First Gen Group makes a formal estimate of an asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset (or cash-generating unit). An impairment loss is recognized in the consolidated statement of income in the year in which it arises.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, First Gen Group estimates the asset's or cash-generating unit's recoverable amount. Also, irrespective of whether there is any indication of impairment, First Gen Group tests



an intangible asset not yet available for use, such as wind energy project development cost, for impairment annually by comparing its carrying amount with its recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

Goodwill
Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment loss relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future years. First Gen Group performs its annual impairment test of goodwill as of December 31 of each year.

Investments in associates
First Gen Group determines whether it is necessary to recognize an impairment loss on its investments in associates. First Gen Group determines at each financial reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case, First Gen Group calculates the amount of impairment as being the difference between the recoverable value of the associate and the carrying amount of investment and recognizes the amount of impairment loss in the consolidated statement of income.

Provisions
Provisions are recognized when First Gen Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where First Gen Group expects some or all of the provision will be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognized in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized under the "Interest expense and financing charges" account in the consolidated statement of income.

FGP, FGPC and FG Bukidnon recognized provisions arising from legal and/or constructive obligations associated with the cost of dismantling and removing an item of property, plant and equipment and restoring the site on which it is located. EDC likewise records the present value of estimated costs of legal and constructive obligation required to restore the sites upon termination of the cooperation period in accordance with its Geothermal Renewable Energy Service Contract (GRESCs). The nature of these activities includes plugging of drilled wells and restoration of



pads and road networks. 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" account under the "Property, plant and equipment" account.

The obligation of FGP, FGPC and FG Bukidnon occurs either when the asset is acquired or as a consequence of using the asset for the purpose of generating electricity during a particular year. A corresponding asset is recognized as property, plant and equipment. Dismantling costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the dismantling liability. The unwinding of the discount and the amount of provision for rehabilitation and restoration costs are expensed as incurred and recognized as an accretion under the "Interest expense and financing charges" account in the consolidated statement of income. The estimated future costs of dismantling are reviewed annually and adjusted, as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Retirement and other post-employment benefits

The Parent Company and certain of its subsidiaries (namely FGHC, FGP, and FGPC) have distinct, funded, non-contributory, defined benefit retirement plans. The plans cover all permanent employees, each administered by its respective retirement committee. EDC also maintains a funded, non-contributory defined benefit retirement plan, and it also provides post-employment medical and life insurance benefits which are unfunded.

First Gen Group recognizes the net defined benefit liability or asset which is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plans is determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.



Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as an expense or income in the profit or loss.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of First Gen Group, nor can they be paid directly to First Gen Group. The fair value of plan assets is based on market price information and when no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

First Gen Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Share-based Payment Transactions

Certain employees (including senior executives) of First Gen Group, FPH and an associate of the Parent Company receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The cost of equity-settled transactions with employees was measured by reference to the fair value of the stock options at grant date. The fair value was then determined using the Black-Scholes-Merton model. In valuing equity-settled transactions, no account is taken to any performance conditions, other than conditions linked to the price of the stocks of the Parent Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognized for equity-settled transactions at each financial reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for a year represents the movement in cumulative expense recognized as of the beginning and end of that year.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.



Where the terms of an equity-settled award are modified, an expense, as a minimum, is recognized as if the terms had not been modified. An expense is recognized for any increase in the value of the transactions as a result of the modification, as measured on the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were modifications of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of earnings per share attributable to the equity holders of the Parent Company (see Note 24).

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at financial reporting date.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will become available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the income tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at financial reporting date.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates.



Current and deferred income tax relating to items recognized directly in equity is also recognized in the consolidated statement of changes in equity and not in the consolidated statement of income. Deferred income tax relating to items recognized directly in OCI is recognized in consolidated statement of comprehensive income.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and deferred income taxes relate to the same taxable entity and the same tax authority.

Value-added tax (VAT)
Revenues, expenses and assets are recognized, net of the amount of VAT except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from the taxation authority is recorded as "Input VAT" under the "Other noncurrent assets" account in the consolidated statement of financial position. Subject to approval of the taxation authority, Input VAT can be claimed for refund or as tax credit for payment of certain types of taxes due by certain companies within the First Gen Group. Input VAT claims granted by the taxation authority are separately presented as "Tax Credit Certificates" under the "Other noncurrent assets" account.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting will commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. In cases where First Gen Group acts as a lessee, operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term.

Capital Stock, Stock Rights and Additional Paid-in Capital
Capital stock is measured at par value and is classified as equity for all stocks issued. When First Gen Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued. A preferred stock is an equity instrument that is usually preferred as to claims on the entity's assets, earnings, or both. A common stock is an equity instrument that is subordinate to all other classes of equity instruments.



Stock rights that are given pro-rata to all of the existing owners of the same class of First Gen's non-derivative equity instruments in order to acquire a fixed number of its own equity instruments for a fixed amount in any currency are classified as equity instrument.

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

Direct costs incurred related to the issuance of new capital stock, such as underwriting, accounting and legal fees, printing costs and taxes are shown in equity as deduction, net of tax, from the proceeds.

Common Shares in Employee Trust Account

This account pertains to EDC's common shares held in the employee trust account. This consist of common shares irrevocably assigned to the Banco de Oro Trust and Investment Group (BDO Trust) account that are recognized at the amount at which such common shares were reacquired by EDC for the purpose of its executive/employee stock option or such similar plans, and proportionately reduced upon vesting of the benefit to the executive/employee grantee of the related number of common shares. This account is shown as part of Non-controlling Interests in the equity section of the consolidated statement of financial position.

Deposits for Future Stock Subscriptions

Deposits for future stock subscriptions represent the amount received that will be applied as payment in exchange for a fixed number of the Parent Company's own equity instruments. It is classified as an equity item if there is sufficient unissued authorized capital stock, or if in case the unissued authorized capital stock is insufficient to cover the amount of deposit, (a) the BOD and stockholders have approved a proposed increase in authorized capital stock for which a deposit was received, and (b) the proposed increase was filed with the SEC as of financial reporting date; otherwise, the deposit is classified as a liability.

Treasury Stocks

Acquired treasury stocks are accounted for at weighted average cost and shown as a deduction in the equity section of the consolidated statement of financial position. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issuance or cancellation of the Parent Company's own equity instruments. Upon reissuance of treasury stocks, the "Cost of common stock held in treasury" account is credited at cost. The excess of proceeds from reissuance over the cost of treasury stocks is credited to the "Additional paid-in capital" account. However, if the cost of treasury stocks exceeds the proceeds from reissuance, such excess is debited to the "Additional paid-in capital" account but only to the extent of previously set-up additional paid-in capital for the same class of stock. Otherwise, this is debited against the "Retained earnings" account.

Own equity instruments which are held by subsidiaries are treated as treasury shares and recognized and deducted from equity at cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.



Retained Earnings
The amount included in retained earnings includes profit or loss attributable to First Gen Group's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are declared by the Parent Company's BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date.

Retained earnings may also include the effect of changes in accounting policies as may be required by the standards' transitional provisions.

Dividends on Preferred and Common Stocks
First Gen Group may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the Philippine SEC. First Gen Group may declare dividends only out of its unrestricted retained earnings.

Cash and property dividends on preferred and common stocks are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital.

Revenue Recognition
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to First Gen Group and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from sale of electricity
Revenue from sale of electricity (for FGP and FGPC) is based on the respective PPAs of FGP and FGPC. The PPAs qualify as leases on the basis that FGP and FGPC sell all of its output to Meralco. This agreement calls for a take-or-pay arrangement where payment is made principally on the basis of the availability of the power plant and not on actual deliveries of electricity generated. This arrangement is determined to be operating leases where a significant portion of the risks and benefits of ownership of the assets are retained by FGP and FGPC.

Revenue from sale of electricity is composed of fixed capacity fees, fixed and variable operating and maintenance fees, fuel, wheeling and pipeline charges, and supplemental fees. The portion related to the fixed capacity fees is considered as operating lease component and the same fees are recognized on a straight-line basis, based on the actual Net Dependable Capacity (NDC) tested or proven, over the terms of the respective PPAs. Variable operating and maintenance fees, fuel, wheeling and pipeline charges, and supplemental fees are recognized monthly based on the actual energy delivered.

In the case of EDC, GCGI and BGI, revenues from sale of electricity using geothermal energy is consummated whenever the electricity generated by these companies is transmitted through the transmission line designated by the buyer, for a consideration. Revenue from sale of electricity is based on sales price. Sale of electricity using hydroelectric (for FG Hydro) and geothermal power (for GCGI and BGI) is composed of generation fees from spot sales to the Wholesale Electricity Spot Market (WESM) and the Power Supply Agreement (PSA) with various electric companies and is recognized monthly based on the actual energy delivered.



Meanwhile, revenue from sale of electricity through ancillary services to the National Grid Corporation of the Philippines (NGCP) is recognized monthly based on the capacity scheduled and/or dispatched and provided. For FGES, revenue from sale of electricity is composed of generation charge from monthly energy supply with various contestable customers through Retail Supply Contract (RSC) and is recognized monthly based on the actual energy delivered. The basic energy charges for each billing period are inclusive of generation charge and retail supply charge.

Drilling Services
Revenue is recognized as drilling services are rendered. EDC has discontinued its drilling services in 2012.

Interest income
Interest income is recognized as the interest accrues (using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset), taking into account the effective yield on the asset.

Costs of Sale of Electricity and Costs of Drilling Services
These include expenses incurred by the departments directly responsible for the generation of revenues from steam, electricity and performance of drilling services (i.e., Plant Operations, Production, Maintenance, Transmission and Dispatch, Wells Drilling and Maintenance Department) at operating project locations in the case of EDC. This account also includes the costs incurred by FGPC and FGP, particularly fuel cost, power plant operations and maintenance, and depreciation and amortization, which are necessary expenses incurred to generate the revenues from sale of electricity. Costs of sale of electricity and costs of drilling services are expensed when incurred.

In 2012, the costs of drilling services were included in the computation of net income from discontinued operations.

Expense Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants, and are recognized when these are incurred.

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

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of qualifying assets until such time that the assets are substantially ready for their intended use or sale, which necessarily takes a substantial period of time. Income earned on temporary investment of specific borrowings, pending the expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance the project to the extent that they are regarded as an



adjustment to interest costs. All other borrowing costs are expensed in the year they occur and are recognized in the consolidated statement of income in the period in which they are incurred.

Foreign Currency Transactions

The consolidated financial statements are presented in U.S. dollar, which is the Parent Company's functional and presentation currency. Each entity in First Gen Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the weighted average functional currency rate prevailing at transaction date. Monetary assets and liabilities denominated in foreign currencies are restated using the functional currency rate of exchange at financial reporting date. All differences are taken to the consolidated statement of income. Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the weighted average exchange rates as at the date when the fair value was determined.

The functional currency of all the subsidiaries, except Unified, FGP, FGHC, FGPC, Blue Vulcan, FGRI, Goldsilk, Dualcore and Onecore in 2014 and 2013, is the Philippine peso. As at financial reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Parent Company (the U.S. dollar) at the closing rate of exchange ruling at financial reporting date and, their statements of income are translated at the monthly weighted average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income (loss) as a separate component of equity as part of the "Cumulative translation adjustments" account. Upon disposal of any of these subsidiaries, the deferred cumulative amount recognized in equity relating to that particular subsidiary will be recognized in the consolidated statement of income proportionate to the equity interest disposed.

Earnings Per Share (EPS) Attributable to the Equity Holders of the Parent

Basic EPS is computed by dividing net income (less cumulative preferred dividends, if any, whether declared or not) for the year attributable to common shareholders by the weighted average number of common stocks outstanding during the year, with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is calculated in the same manner, adjusted for the effects of: (a) conversion of convertible bonds; and (b) stocks to be issued to executives (officers and senior managers) and employees under the Parent Company's Executive Stock Option Plan (ESOP) and Employee Stock Purchase Plan (ESPP), respectively, which are assumed to be exercised at the date of grant.

Where the EPS effect of the stocks to be issued to executives and employees under the Parent Company's ESOP and ESPP, and the possible conversion of convertible bonds would be anti-dilutive, the basic and diluted EPS are stated at the same amount.

Segment Reporting

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 BOD which is First Gen's Chief Operating Decision Maker (CODM). Financial information on the operating segment is presented in Note 5.



Discontinued Operations
Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as net income (loss) from discontinued operations in the consolidated statement of income (see Note 4).

Events After the Financial Reporting Date
Any event after the financial reporting date that provides additional information about First Gen Group's position at financial reporting date (adjusting event) is reflected in the consolidated financial statements. Events after financial reporting date that are not adjusting events, if any, are disclosed, in the notes to consolidated financial statements, when material.

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 consolidated financial statements.

The following new standards and amendments issued by the International Accounting Standards Board (IASB) were already adopted by the Financial Reporting Standrds Council (FRSC) but are still for approval by the Board of Accountancy (BOA).

Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments), requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments is not expected to be relevant to First Gen Group since it has no defined benefit plan with contributions from employees or third parties.

Improvements to PFRSs (2010-2012 Cycle)
The following annual improvements to PFRSs are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the First Gen Group:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition;
  - A performance target must be met while the counterparty is rendering service;
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
  - A performance condition may be a market or non-market condition; and
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The amendment has no impact on First Gen Group's financial position or performance.



- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a 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 PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The amendment is applied prospectively for 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*, clarifies that an entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The amendments are to be applied retrospectively. The amendments affect disclosures only and have no impact on First Gen Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method Proportionate Restatement of Accumulated Depreciation and Amortization*, clarifies that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment is to be applied retrospectively. The amendment has no impact on First Gen Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*, clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments are to be applied retrospectively. The amendments affect disclosures only and have no impact on First Gen Group's financial position or performance.

Improvements to PFRSs (2011-2013 Cycle)
The following annual improvements to PFRSs are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the First Gen Group:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*, clarifies that joint arrangements, not just joint ventures, are outside the scope of PFRS 3. It further clarifies that this scope exception applies only to the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has no impact on First Gen Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*, clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (*or PFRS 9, as applicable*). The amendment is applied prospectively.



- PAS 40, *Investment Property*, clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively. The amendment has no impact on First Gen Group's financial position or performance.

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements* and PAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments), requires that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment has no impact on First Gen Group's financial position or performance.

- PFRS 14, *Regulatory Deferral Accounts*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The amendment has no impact on First Gen Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of* Depreciation *and Amortization* (Amendments), clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to



depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments have no impact on First Gen Group's financial position or performance.

- PAS 16 and PAS 41, *Agriculture - Bearer Plants* (Amendments), change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments have no impact on First Gen Group's financial position or performance.

  PAS 27, Separate *Financial Statements - Equity Method in Separate Financial Statements* (Amendments), will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments have no significant impact on First Gen Group's financial position or performance.

Improvements to PFRSs (2012-2014 Cycle)
The Annual Improvements to PFRSs are effective for annual periods beginning on or after January 1, 2016 contain non-urgent but necessary amendments to the following standards:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment is to be applied prospectively.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts* requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment has no impact on First Gen Group's financial position or performance.



- PFRS 7, *Financial Instruments: Disclosures - Applicability of the Amendments to PFRS 7, Disclosure - Offsetting Financial Assets and Financial Liabilities to Condensed Interim Financial Statements*, clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendments are to be applied retrospectively.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*, clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendments are to be applied prospectively.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*, clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendments are to be applied retrospectively. The amendment has no impact on First Gen Group's financial position or performance.

Effective January 1, 2018

- PFRS 9, *Financial Instruments*, already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the First Gen Group's financial assets but will have no impact on the classification and measurement of the First Gen Group's financial liabilities. The adoption will also have an effect on the First Gen Group's application of hedge accounting. First Gen Group is currently assessing the impact of PFRS 9 and plans to adopt the new standard on the required effective date once adopted locally.

- PFRS 9, *Financial Instruments (2014 or final version),* already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

Standards issued but not yet effective

PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version), reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. 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 other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, 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 in respect of the liability's 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 into PFRS 9, including the embedded derivative separation 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 the First Gen Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine FRSC. Such adoption, however, is still for approval by the BOA.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the 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.

New standard issued by the IASB has not yet been adopted by the FRSC

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers* was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. First Gen Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in accordance with PFRS requires First Gen Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. However, future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying First Gen Group's accounting policies, management has made the following judgments and estimates which have the most significant effect on the amounts recognized in the consolidated financial statements:

Judgments

a. *Determining functional currency*
The Parent Company, Unified, FGP, FGPC, FGHC, Blue Vulcan, FGRI, Goldsilk, Dualcore and Onecore have determined that their functional currency is the U.S. dollar. The U.S. dollar is the currency of the primary economic environment in which the Parent Company and foregoing subsidiaries operate. It is the currency that mainly influences the sale of services and the costs of providing services. EDC and all other subsidiaries have determined the Philippine peso to be their functional currency. Thus, the accounts of such subsidiaries were translated to U.S. dollar for the purposes of consolidation to First Gen Group.

b. *Determination of Control*
The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company controls an entity if and only if the Parent Company has all the following:
- power over the entity
- exposure, or rights, to variable returns from its involvement with the entity; and
- the ability to use its power over the entity to affect the amount of the Parent's Company's returns.

c. *Operating leases*
The respective PPAs of FGP and FGPC qualify as leases on the basis that FGP and FGPC sell all of their output to Meralco and these agreements call for a take-or-pay arrangement where payment is made principally on the basis of the availability of the power plants and not on actual deliveries of electricity generated. These arrangements are determined to be operating leases where a significant portion of the risks and benefits of ownership of the assets are retained by FGP and FGPC. Accordingly, the power plant assets are recorded as part of the cost of property, plant and equipment and the fixed capacity fees billed to Meralco are recorded as operating revenue on a straight-line basis over the applicable terms of the PPAs (see Note 27).

For EDC, its PPAs and Steam Sales Agreements (SSAs) qualify as a lease on the basis that EDC sells majority of its output to National Power Corporation (NPC)/Power Sector Assets and Liabilities Management (PSALM) and, in the case of the SSAs, the agreement calls for a take-or-pay arrangement where payment is made principally on the basis of the availability of the steam field facilities and not on actual steam deliveries. This type of arrangement is determined to be an operating lease where a significant portion of the risks and rewards of ownership of the assets are retained by EDC since it does not include transfer of EDC's assets. Accordingly, the steam field facilities and power plant assets are recorded as part of the cost of property, plant and equipment and the capacity fees billed to NPC/PSALM are recorded as operating revenue based on the terms of the PPAs and SSAs.

In connection with the installation of Burgos Wind Project's wind turbines and related transmission towers, EDC entered into uniform land lease agreements and contracts of easement of right of way, respectively, with various private landowners. The term of the land lease agreement starts from the execution date of the contract and ends after 25 years from the commercial operations of the Burgos Wind Project. The contract of easement of right of way on the other hand, creates a perpetual easement over the subject property. Both the land lease agreement and contracts of easement of right of way were classified as operating leases. All payments made in connection with the agreements included as part of "Prepaid expense". Prepaid lease will be amortized on a straight-line basis over the lease term, whereas prepaid rights of way will be amortized on a straight-line basis over the term of the Wind Energy Service Contract (WESC), including the extension based on management's judgment of probability of extension. Amortizations of both the prepaid lease and prepaid rights of way during the construction period were capitalized to "Construction in Progress" account, and expensed after once it becomes available for use.

First Gen Group has also entered into commercial property leases where it has determined that the lessor retains all the significant risks and rewards of ownership of these properties and has classified the leases as operating leases (see Note 27).

d. *Discontinued operations*
In October 2012, EDC has completed its contract with Lihir Gold Ltd. (Lihir) in Papua New Guinea for the provision of drilling services. In line with its current strategy, EDC will no longer engage in drilling activities but will maintain its major business of selling electricity. The management of EDC had considered that the drilling operations met the definition of discontinued operations, and as such, the operations and cash flows that can be clearly distinguished operationally and for financial reporting purposes from the rest of First Gen Group has been terminated (see Note 4).



e. *Classification of financial instruments*
First Gen Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position (see Note 26).

In addition, financial assets are classified by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions in an arm's length basis.

f. *Deferred revenue on stored energy*
Under EDC's addendum agreements with NPC, EDC has a commitment to NPC with respect to certain volume of stored energy that NPC may lift for a specified period, provided that EDC is able to generate such energy over and above the nominated energy for each given year in accordance with the related PPAs. EDC has made a judgment based on historical information that the probability of future liftings by NPC from the stored energy is remote and accordingly has not deferred any portion of the collected revenues. The stored energy commitments are, however, disclosed in Note 27 (b) to the consolidated financial statements.

Estimates

a. *Estimation of fair value of identifiable net assets of an acquiree in a business combination*
In accounting for business combinations, the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. The determination of fair values requires estimates of economic conditions and other factors.

b. *Impairment losses on receivables*
First Gen Group reviews its receivables at each financial reporting date to assess whether an allowance for impairment should be recognized in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowance.

First Gen Group maintains an allowance for impairment losses at a level that management considers adequate to provide for potential uncollectability of its trade and other receivables and certain advances. First Gen Group evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, First Gen Group uses judgment, based on available facts and circumstances, and on a review of the factors that affect the collectability of the accounts including, but not limited to, the age and status of the receivables, collection experience, past loss experience. The review is made by management on a continuing basis to identify accounts to be provided with allowance. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated.

In addition to specific allowance against individually significant receivables, First Gen Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. Collective assessment of impairment is made on a portfolio or group basis after performing a regular review of age and status of the portfolio or group of accounts relative to historical collections, changes in payment terms, and other factors that may affect ability to collect payments.

The total amount of provision for impairment losses recognized for the years ended December 31, 2014, 2013 and 2012 amounted to $0.1 million, $0.6 million, and $1.0 million, respectively. The aggregate carrying amounts of the current and noncurrent receivables are carried at $389.5 million and $336.9 million as of December 31, 2014 and 2013, respectively (see Notes 7, 12 and 20).

c. *Impairment of AFS financial assets*
First Gen Group considers AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value of such investments below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. First Gen Group treats "significant" generally as 20% or more and "prolonged" as greater than twelve (12) months. In addition, First Gen Group evaluates other factors, including normal volatility in stock price for quoted equities and future cash flows and discount factors for unquoted equities in determining the amount to be impaired.

No impairment loss on AFS financial assets was recognized for each of the three years in the ended December 31, 2014. The aggregate carrying amounts of current and noncurrent AFS financial assets are carried at $7.4 million and $15.5 million as of December 31, 2014 and 2013, respectively (see Notes 9 and 12).

d. *Estimating net realizable value of inventories*
First Gen Group measures inventories at net realizable value when such value is lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The carrying amounts of inventories as of December 31, 2014 and 2013 amounted to $98.7 million and $109.7 million, respectively (see Note 8). Provision for inventory obsolescence pertaining to spare parts and supplies amounted to $2.9 million in 2013, and reversal of allowance amounted to $0.6 million and $2.0 million in 2014 and 2012, respectively (see Notes 8 and 20).

e. *Recognition of deferred income tax assets*
The carrying amounts of deferred income tax assets at each financial reporting date are reviewed and are reduced to the extent that there is no longer sufficient future taxable income available to allow all or part of the deferred income tax assets to be utilized. First Gen Group's assessment on the recognition of deferred income tax assets on deductible temporary differences, carryforward benefits of MCIT and NOLCO is based on the forecasted taxable income of the future years. This forecast is based on First Gen Group's past results and future expectations on revenue and expenses.

As of December 31, 2014 and 2013, the amount of deferred income tax assets recognized in the consolidated statements of financial position amounted to $50.8 million and $60.7 million, respectively. First Gen Group also has deductible temporary differences, carryforward benefits of unused NOLCO and excess MCIT totaling $146.1 million and



$141.7 million as of December 31, 2014 and 2013, respectively, for which no deferred income tax asset was recognized (see Note 23).

f. *Retirement and other post-employment benefits*
The cost of defined benefit retirement plans and other post-employment medical and life insurance benefits (in the case of EDC) are determined using the projected unit credit method of actuarial valuation. An actuarial valuation involves making assumptions. These include the determination of the discount rates, future salary increases and medical trend rates, future salary increases, mortality and disability rates and employee turnover rates. While the assumptions are reasonable and appropriate, significant differences in First Gen Group's actual experience or significant changes in the assumptions may materially affect the retirement benefit obligation. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at financial reporting date. The details of assumptions used in the calculation of First Gen Group's retirement benefits are presented in Note 22 to the consolidated financial statements.

As of December 31, 2014 and 2013, the net retirement and other post-employment benefits liabilities of First Gen Group amounted to $36.1 million and $40.5 million, respectively (see Note 22).

g. *Impairment of non-financial assets*
Property, plant and equipment, water rights, pipeline rights, input VAT claims for refund/tax credits, and prepaid major spare parts
First Gen Group assesses impairment on these non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that First Gen Group considers important which could trigger an impairment review include the following:

- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

First Gen Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amount is estimated for an individual asset or, if it is not possible, for the cash-generating unit to which the asset belongs. In the case of Input VAT, where the collection of tax claims is uncertain, First Gen Group provides and allowance for impairment of Input VAT based on the assessment of management and First Gen Group's legal counsel.

In 2011, EDC recognized full impairment on its Northern Negros Geothermal Power Plant (NNGP) assets amounting to $192.9 million (₱8,649.5 billion) due to steam supply limitations. In February 2012, EDC transferred the vacuum pumps from NNGP to the Palinpinon Power Plant owned by GCGI. Since these transferred assets were utilized and included in the CGU of the Palinpinon Power Plant, EDC has recognized a corresponding reversal of impairment loss amounting to $1.5 million (₱63.6 million), representing the net book value of the assets transferred had no impairment loss been previously recognized.

To utilize the remaining facilities and fixed assets of NNGP to the extent possible, the BOD of EDC approved in September 2012 the transfer of the components of the power plant to Nasulo Power Plant located in Southern Negros. This project is expected to generate an incremental 20-25MW. The target date for the start of commercial operations of the power plant in Nasulo is in 2014. As of December 31, 2013, certain NNGP assets have already been transferred from Northern Negros to Nasulo. Following the conduct of the testing activities from April 2014 to July 20, 2014, EDC has declared that the Nasulo Power Plant was already in the status necessary for it to operate as intended by management effective July 21, 2014. Accordingly, EDC recognized the reversal of previously impaired NNGP assets amounting to $46.3 million (₱2,051.9 million), representing the net book value of the assets transferred had no impairment loss been previously recognized and the corresponding deferred tax asset of $4.6 million (₱205.2 million) (see Note 10).

The aggregate carrying values of the non-financial assets amounted to $2,725.6 million and $2,205.0 million as of December 31, 2014 and 2013, respectively (see Notes 9, 10, 11 and 12).

On the other hand, EDC has recorded a provision for impairment of Input VAT of $0.6 million, $0.9 million, and $4.6 million in 2014, 2013 and 2012, respectively (see Notes 12 and 20).

Goodwill
First Gen Group performs impairment review on goodwill, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. Estimating the value in use requires First Gen Group to make an estimate of the expected future cash flows from the cash-generating units and discounts such cash flows using weighted average cost of capital to calculate the present value of those future cash flows (see Note 11).

No impairment loss on goodwill was recognized in the consolidated statements of income for each of the three years in the period ended December 31, 2014. The carrying values of goodwill as of December 31, 2014 and 2013 amounted to $1,079.5 million and $1,084.7 million, respectively (see Note 11).

Exploration and evaluation assets
Exploration and evaluation costs are recognized as assets in accordance with PFRS 6, *Exploration for and Evaluation of Mineral Resources*. Capitalization of these costs is based, to a certain extent, on management's judgment of the degree to which the expenditure may be associated with finding specific geothermal reserve. EDC determines impairment of projects based on the technical assessment of its resident scientists in various disciplines or based on management's decision not to pursue any further commercial development of its exploration projects. In 2013, EDC has assessed that its Cabalian geothermal project located in Southern Leyte is impaired due to issues on productivity and sustainability of geothermal resources in the area and has recognized an impairment loss of $13.6 million. No impairment loss was recognized in 2014 and 2012. As of December 31, 2014 and 2013, the carrying amounts of capitalized exploration and evaluation costs amounted to $62.6 million and $53.6 million, respectively (see Note 12).



h. *Estimation of useful lives of property, plant and equipment (except land), concession rights on acquired contracts, water rights, pipeline rights and other intangible assets*
First Gen Group estimated the useful lives of property, plant and equipment, water rights, and pipeline rights based on the years over which the assets are expected to be available for use and on the collective assessment of industry practices, internal technical evaluation and experience with similar assets. The estimated useful lives of property, plant and equipment, water rights, and pipeline rights are reviewed at each financial reporting date and updated, if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits in the use of these assets. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recording the depreciation and amortization of property, plant and equipment, water rights, and pipeline rights for any year would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment, water rights, and pipeline rights would increase the recorded depreciation and amortization and decrease the noncurrent assets.

There is no change in the estimated useful lives of property, plant and equipment, water rights, and pipeline rights during the year. The aggregate carrying values of property, plant and equipment as of December 31, 2014 and 2013 amounted to $2,524.0 million and $2,059.2 million, respectively (see Note 10). The aggregate carrying values of concession rights on acquired contracts, water rights, pipeline rights and other intangible assets as of December 31, 2014 and 2013 amounted to $128.0 million and $142.1 million, respectively (see Note 11).

i. *Estimation of asset retirement obligations*
Under their respective Environmental Compliance Certificate (ECC) issued by the Department of Environmental and Natural Resources (DENR), FGP and FGPC have legal obligations to dismantle their power plant assets at the end of their useful lives. FG Bukidnon, on the other hand, has a contractual obligation under the lease agreement with PSALM to dismantle its power plant assets at the end of the useful lives. The asset retirement obligations recognized represent the best estimate of the expenditures required to dismantle the power plants at the end of their useful lives. Such cost estimates are discounted using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability. Each year, the asset retirement obligations are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized under the "Interest expense and financing charges" account in the consolidated statement of income. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligations in future years.

The GRESCs are subject to the provision for restoration costs. In determining the amount of provisions for rehabilitation and restoration costs, assumptions and estimates are required in relation to the expected cost to rehabilitate and restore sites and infrastructure when such obligation exists (see Note 27).

In 2014, EBWPC has likewise recorded a provision for asset retirement obligation to comply with Section 8.3 of the WESC, that an RE developer shall be responsible for the removal and the disposal of all materials, equipment and facilities from the Contract Area in accordance with the restoration plan consistent with its ECC.

Asset retirement obligations amounted to $18.2 million and $16.1 million as of December 31, 2014 and 2013, respectively (see Note 16).



j. *Fair values of financial instruments*
First Gen Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and volatility rates), the amount of changes in fair value would differ if First Gen Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect the consolidated statement of income and the consolidated statement of changes in equity.

Where the fair values of certain financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. Judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

The fair values of First Gen Group's financial instruments are presented in Note 26 to the consolidated financial statements.

k. *Legal contingencies and regulatory assessments*
First Gen Group is involved in various legal proceedings and regulatory assessments as discussed in Note 27 to the consolidated financial statements. First Gen Group's estimate of probable costs for the assessments and resolution of these claims and cases have been developed in consultation with in-house and external counsels handling the defense in these claims and cases and is based upon thorough analysis of potential results.

First Gen Group, in consultation with its external counsels, does not believe that these proceedings will have a material adverse effect on the consolidated financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or the effectiveness of management's strategies relating to these proceedings.

As of December 31, 2014, provisions for these liabilities amounting to $1.5 million and $11.7 million are recorded as "Others" in the Accounts payable and accrued expenses account (see Note 13) and "Others" in the Other noncurrent liabilities account (see Note 16), respectively. As of December 31, 2013, provisions for these liabilities amounting to $1.4 million and $10.4 million are recorded as "Others" in the Accounts payable and accrued expenses account (see Note 13) and "Others" in the Other noncurrent liabilities account (see Note 16), respectively. Interest on liability from litigation amounted to $0.2 million for each of the three years in the period ended December 31, 2014 (see Note 21).

l. *Shortfall generation*
EDC's PPA with NPC requires the annual nomination of capacity that EDC shall deliver to NPC. On a monthly basis, EDC bills a uniform capacity to NPC based on the nominated energy. At the end of the contract year, EDC's fulfillment of the nominated capacity and the parties' responsibilities for any shortfall shall be determined. The contract year for the Unified Leyte PPA is for fiscal period ending July 25 while the contract year for the Mindanao I and II PPAs is for fiscal period ending December 25 (see Note 27). Assessment is made at every reporting date whether the nominated capacity would be met based on management's projection of electricity generation covering the entire contract year. If the occurrence of shortfall generation is determined to be probable, the amount of estimated reimbursement to



NPC is accounted for as a deduction to revenue for the period and a corresponding liability is recognized. As of December 31, 2014 and 2013, EDC's estimated liability arising from shortfall generation amounted to $7.2 million and $5.9 million, respectively, are shown as part of "Others" in the Accounts payable and accrued expenses account (see Note 13). Moreover, the amount of estimations relating to the shortfall generation under the PPA's covering Unified Leyte, Mindanao I and Mindanao II could be subsequently adjusted depending on the subsequent reconciliation by the Technical or Steering Committee established in accordance with the Unified Leyte PPA in view of the parties' responsibilities in connection with the consequences of Typhoon Yolanda.

4. Discontinued Drilling Operations

In October 2012, EDC discontinued its drilling services to Lihir Gold Limited in Papua New Guinea. Following are the results of the drilling component's operations for the year ended December 31, 2012:

Revenue	$15,568
Cost of drilling services:	
Purchased services and utilities	(5,720)
Rental, insurances and taxes	(3,541)
Repairs and maintenance	(1,520)
Parts and supplies issued	(806)
Business related expenses	(85)
Depreciation	(30)
Personnel costs	(7)
	(11,709)
General and administrative expenses:	
Depreciation	(420)
Purchased services and utilities	(63)
Parts and supplies issued	(41)
Personnel costs	(30)
Rental, insurances and taxes	(21)
Business related expenses	(14)
Repairs and maintenance	(3)
	(592)
Other income (charges):	
Foreign exchange gains	17
Others	(2)
	15
Income before income tax	3,282
Less: Provision for income tax - deferred	985
Net income from discontinued operations	$2,297

5. 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 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 BOD, which is the CODM of First Gen, are as follows:

- FGPC, which operates the 1,000 MW combined cycle, natural gas-fired Santa Rita power plant, and where the Parent Company has a 60% equity interest through FGHC until May 30, 2012. Subsequently, the Parent Company beneficially owns 100% equity interest;
- FGP, which operates the 500 MW combined cycle, natural gas-fired San Lorenzo power plant, and where the Parent Company has a 60% equity interest through Unified until May 30, 2012. Subsequently, the Parent Company beneficially owns 100% equity interest;
- EDC and Subsidiaries, which holds service contracts with the DOE corresponding to 14 geothermal contract areas each granting EDC exclusive rights to explore, develop, and utilize the corresponding resources in the relevant contract area. EDC conducts commercial operations in four (4) out of its 14 geothermal contract areas. In addition, EBWPC, a wholly-owned subsidiary of EDC, has completed the construction of its 150-MW Burgos Wind Energy Project located in Ilocos Norte. EDC intends to operate the Burgos Wind Project under the Feed-In Tariff (FIT) system. As of March 12, 2015, EBWPC's application for the FIT Certificate of Compliance (a requirement to avail of the incentives under FIT system) is subject for the approval of the Energy Regulatory Commission (ERC). In 2014, the Burgos Wind Project started to generate electricity which was sold to the WESM. 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% to 73.4%, and has likewise increased its effective voting interest in EDC to 50.9% as of December 31, 2014; and,
- FG Hydro, which operates the 132 MW PAHEP/MAHEP, and where the Parent Company has a 40% direct economic interest and 70.0% effective economic interest as of December 31, 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 consolidated statements of income. Segment expenses pertain to the costs and expenses presented in the 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 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 43.5% of EDC's total revenues are derived from existing long-term PPAs with NPC.



Financial information on the business segments are summarized as follows:

	Year Ended December 31, 2014						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Segment revenue	**$779,799**	**$425,381**	**$659,350**	**$36,620**	**$9,152**	**($7,672)**	**$1,902,630**
Segment expenses	**(607,903)**	**(314,295)**	**(218,199)**	**(11,287)**	**(35,757)**	**5,847**	**(1,181,594)**
Segment results	**171,896**	**111,086**	**441,151**	**25,333**	**(26,605)**	**(1,825)**	**721,036**
Interest income	**11,414**	**4,903**	**3,523**	**641**	**6,264**	**(20,266)**	**6,479**
Interest expense and financing charges	**(33,696)**	**(13,365)**	**(80,758)**	**(3,884)**	**(56,050)**	**20,266**	**(167,487)**
Depreciation and amortization	**(38,613)**	**(22,120)**	**(93,137)**	**(9,505)**	**(535)**	**–**	**(163,910)**
Income (loss) before income tax	**111,001**	**80,504**	**270,779**	**12,585**	**(76,926)**	**(1,825)**	**396,118**
Benefit from (provision for) income tax	**(32,041)**	**(20,266)**	**(26,047)**	**(408)**	**742**	**–**	**(78,020)**
Net income (loss)	**$78,960**	**$60,238**	**$244,732**	**$12,177**	**($76,184)**	**($1,825)**	**$318,098**

**Pertains to EDC and subsidiaries' 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.*

	Year Ended December 31, 2013						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Segment revenue	$955,502	$337,178	$548,687	$59,269	$5,239	($956)	$1,904,919
Segment expenses	(782,801)	(264,030)	(296,559)	(10,510)	(23,246)	956	(1,376,190)
Segment results	172,701	73,148	252,128	48,759	(18,007)	–	528,729
Interest income	12,676	5,339	6,340	628	11,813	(27,663)	9,133
Interest expense and financing charges	(37,562)	(13,823)	(75,755)	(4,445)	(45,443)	27,663	(149,365)
Depreciation and amortization	(37,179)	(25,675)	(85,802)	(9,974)	(553)	–	(159,183)
Income (loss) before income tax	110,636	38,989	96,911	34,968	(52,190)	–	229,314
Provision for income tax	(35,507)	(14,703)	(9,957)	(210)	(1,342)	–	(61,719)
Net income (loss)	$75,129	$24,286	$86,954	$34,758	($53,532)	$–	$167,595

**Pertains to EDC and subsidiaries' 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.*

	Year Ended December 31, 2012						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Segment revenue	$913,460	$477,323	$623,992	$112,007	$961	($67,514)	$2,060,229
Segment expenses	(729,189)	(382,831)	(292,272)	(13,702)	(21,772)	67,514	(1,372,252)
Segment results	184,271	94,492	331,720	98,305	(20,811)	–	687,977
Interest income	13,555	1,062	7,336	1,256	10,232	(19,591)	13,850
Interest expense and financing charges	(41,165)	(9,024)	(77,538)	(9,735)	(55,865)	19,591	(173,736)
Depreciation and amortization	(35,838)	(26,341)	(85,102)	(9,902)	(369)	–	(157,552)
Income (loss) before income tax	120,823	60,189	176,416	79,924	(66,813)	–	370,539
Income from discontinued operations	–	–	2,297	–	–	–	2,297
Benefit from (provision for) income tax	(30,144)	(10,389)	(16,684)	288	(1,898)	–	(58,827)
Net income (loss)	$90,679	$49,800	$162,029	$80,212	($68,711)	$–	$314,009

**Pertains to EDC and subsidiaries' 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:

	As of December 31, 2014						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Current assets	**$329,610**	**$224,040**	**$520,620**	**$34,079**	**$435,364**	**($324,488)**	**$1,219,225**
Noncurrent assets	**471,012**	**362,099**	**2,153,936**	**135,970**	**5,567,188**	**(4,622,155)**	**4,068,050**
Total assets	**$800,622**	**$586,139**	**$2,674,556**	**$170,049**	**$6,002,552**	**($4,946,643)**	**$5,287,275**
Current liabilities	**$214,833**	**$110,205**	**$393,427**	**$14,685**	**$306,718**	**($311,169)**	**$728,699**
Noncurrent liabilities	**320,220**	**355,305**	**1,335,980**	**72,004**	**1,068,934**	**(506,473)**	**2,645,970**
Total liabilities	**$535,053**	**$465,510**	**$1,729,407**	**$86,689**	**$1,375,652**	**($817,642)**	**$3,374,669**

**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.*

	As of December 31, 2013						
	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.*

6. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand and in banks (see Notes 21, 25 and 26)	**$147,462**	$183,239
Short-term deposits (see Notes 21, 25 and 26)	**526,431**	687,014
	$673,893	$870,253

Cash and cash equivalents earn interest at the respective bank deposit rates ranging from 0.1% to 1.85% and 0.12% to 1.50% for the years ended December 31, 2014 and 2013, respectively. 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.

In 2014, 2013 and 2012, total interest income earned amounted to $5.9 million, $8.9 million, and $10.8 million, respectively (see Note 21).

7. Receivables

This account consists of:

	2014	2013
Trade (see Notes 25, 26 and 27)	**$371,914**	$323,130
Due from related parties (see Notes 19, 25 and 26)	**2,521**	2,840
Loans and notes receivables	**2,144**	2,814
Others (see Notes 19, 25 and 26)	**12,444**	8,116
	389,023	336,900
Less: Allowance for doubtful accounts	**(2,038)**	(2,053)
	$386,985	$334,847

For FGPC and FGP, trade receivables are noninterest-bearing and are generally on 30-day credit term, 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 (see Note 19).

The table below shows the rollforward analysis of the allowance for doubtful accounts on trade receivables:

	2014	2013
Balances at beginning of year	**$2,053**	$1,842
Provision for doubtful accounts (see Note 20)	**–**	368
Foreign exchange adjustments	**(15)**	(157)
Balances at end of year	**$2,038**	$2,053

8. Inventories

This account consists of:

	2014	2013
At cost:		
Fuel inventories (Note 27)	**$39,576**	$45,869
Spare parts and supplies	**49,514**	53,852
In transit	**–**	88
	89,090	99,809
At NRV - Spare parts and supplies	**9,585**	9,914
	$98,675	$109,723

For FGP and FGPC, the amounts of fuel inventories recognized as expense amounted to $48.4 million in 2014, $135.2 million in 2013, and $53.8 million in 2012, which are recognized as part of the "Costs of sale of electricity" account in the consolidated statements of income (see Note 20).

Spare parts and supplies inventories include items that are carried at net realizable value amounting to $9.6 million and $9.9 million as of December 31, 2014 and 2013, respectively, and have a cost amounting to $10.8 million and $11.3 million, respectively.

Provision for impairment of spare parts and supplies inventories amounted to $2.9 million in 2013, and reversal amounted to $0.6 million and $2.0 million in 2014 and 2012, respectively. Provision for (reversal of) impairment of spare parts and supplies inventories are shown as part of General and administrative expenses" account in the consolidated statements of income (see Note 20). The amount of inventory charged to expense amounted to $29.2 million in 2014, $22.4 million in 2013, and $22.7 million in 2012 (see Notes 4 and 20). Details of parts and supplies inventories issued are as follows:

	2014	2013	2012
Costs of sale of electricity presented under "Others" account (Note 20)	**$24,068**	$18,696	$18,200
General and administrative expenses (Note 20)	**5,166**	3,720	3,631
Discontinued drilling operations (Note 4)	**–**	–	847
	$29,234	$22,416	$22,678

In addition, in 2013, EDC recognized loss on damaged inventories due to Typhoon Yolanda amounting to $2.5 million (see Note 10).

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

9. Other Current Assets

This account consists of:

	2014	2013
Prepaid expenses	**$15,707**	$27,406
Input VAT	**21,505**	9,177
Financial asset at FVPL	**11,708**	–
Prepaid taxes	**8,491**	15,022
Advances to contractors	**1,447**	1,511
Derivative assets (see Note 26)	**492**	321
AFS financial assets (see Note 12)	**–**	7,700
Others (see Notes 25 and 26)	**322**	218
	$59,672	$61,355

Prepaid expenses consist mainly of prepaid insurance and creditable withholding taxes. Prepaid taxes consist mainly of tax credits that may be used in the future by the operating subsidiaries of First Gen Group.

Financial asset at FVPL
In January 2014, EDC entered into an Investment Management Agreement (IMA) with Security Bank (the "Investment Manager") whereby EDC availed of the services of Security Bank relative to the management and investment of funds amounting to $11.3 million (₱500.0 million).

Among others, following are the significant provisions of the IMA:
- The Investment Manager shall administer and manage the fund as allowed and subject to the requirements of the BSP, and in accordance with the written investment policy and guidelines mutually agreed upon and signed by Security Bank and EDC.
- The agreement is considered as an agency and not a trust agreement. EDC, therefore, shall at all times retain legal title to the fund.
- The IMA does not guaranty a yield, return, or income on the investments or reinvestments made by the Investment Manager. Any loss or depreciation in the value of the assets of the fund shall be for the account of EDC.

EDC accounts for the entire investment as financial asset at FVPL, and such investment is shown as part of "Other current assets" account in the consolidated statements of financial position. Mark-to-market adjustment on the securities amounting to $0.5 million in 2014 is taken up in the consolidated statement of income.

AFS financial assets consist of:

	2014	2013
Current - Quoted government debt securities (Notes 25 and 26)	**$–**	$7,700
Noncurrent (Notes 12, 25 and 26):		
Quoted equity securities (Note 12)	**591**	502
Quoted government debt securities	**5,074**	5,096
Corporate bonds	**737**	1,488
Investment in proprietary club membership shares	**1,014**	744
	7,416	7,830
Total	**$7,416**	$15,530

Quoted government debt securities consist of investments in Republic of the Philippines (ROP) bonds with maturities between 2016 and 2037, and interest rates ranging from 5.1% to 8.00% per annum. Such bonds were acquired at a discount. Investments in equity securities consist mainly of shares traded in the PSE.

The movements of the unrealized gains (losses) related to the foregoing investments, which are presented in the other comprehensive income, amounted to $0.02 million, ($0.8 million), and ($0.6 million) in 2014, 2013 and 2012, respectively. Changes in fair value recognized in the consolidated statements of comprehensive income pertain to Parent Company's share in the unrealized gains and losses during the year brought about by the temporary increases or decreases in the fair values of the debt and equity instruments.

10. Property, Plant and Equipment

Movements in the account are as follows:

	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	**1,927**	**8,652**	**2,476**	**1,137**	**2,570**	**1,874**	**25**	**–**	**596,602**	**615,263**
Retirements/write-off	**–**	**(58)**	**(31,023)**	**–**	**(808)**	**(526)**	**–**	**–**	**–**	**(32,415)**
Reclassifications/adjustments (Notes 12 and 27h)	**–**	**510,896**	**3,137**	**105,403**	**3,618**	**(75)**	**–**	**(1,454)**	**(628,807)**	**(7,282)**
Foreign exchange adjustments	**(167)**	**(10,426)**	**(707)**	**(4,746)**	**(217)**	**(26)**	**(1)**	**2**	**(2,654)**	**(18,942)**
Balances at December 31, 2014	**57,594**	**1,739,857**	**871,015**	**634,021**	**35,487**	**7,281**	**1,210**	**–**	**367,022**	**3,713,487**
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	**–**	**69,324**	**54,736**	**21,465**	**2,168**	**980**	**39**	**–**	**6**	**148,718**
Reversal of impairment provision of NNGP power plant assets	**–**	**(46,265)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(46,265)**
Retirements/write-off	**–**	**(36)**	**(6,449)**	**–**	**(323)**	**(412)**	**–**	**–**	**–**	**(7,220)**
Reclassifications/adjustments	**–**	**(6,183)**	**6,287**	**–**	**7**	**6**	**–**	**–**	**(6)**	**111**
Foreign exchange adjustments	**(3)**	**(1,860)**	**(341)**	**(1,183)**	**(95)**	**(13)**	**(1)**	**–**	**–**	**(3,496)**
Balances at December 31, 2014	**395**	**418,493**	**589,016**	**158,680**	**17,905**	**4,017**	**990**	**–**	**–**	**1,189,496**
Net Book Value	**$57,199**	**$1,321,364**	**$281,999**	**$475,341**	**$17,582**	**$3,264**	**$220**	**$–**	**$367,022**	**$2,523,991**

	2013									
	Land	Power Plants, Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	FCRS and Production Wells	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Others	Construction in Progress	Total
Cost										
Balances at December 31, 2012	$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 (Notes 12 and 27h)	(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

(Forward)

	2013									
	Land	Power Plants, Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	FCRS and Production Wells	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Others	Construction in Progress	Total
Accumulated Depreciation, Amortization and Impairment										
Balances at December 31, 2012	$421	$362,317	$472,950	$117,402	$14,590	$2,137	$955	$1,728	$14,394	$986,894
Depreciation and amortization	–	62,586	64,374	14,748	3,063	836	3	–	–	145,610
Retirements/write-off	–	(4,087)	(3,766)	–	(1,137)	(231)	–	–	–	(9,221)
Reclassifications/adjustments	9	1,488	4,232	16,645	508	809	–	(1,681)	(14,001)	8,009
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 $278.0 million and $312.8 million as of December 31, 2014 and 2013, respectively, have been pledged as security for long-term debt (see Note 15).

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 a risk-free discount rate and adjusting the cash flows to settle the provision. These costs, net of accumulated amortization, amounted to $10.5 million and $10.1 million as of December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, the provision for rehabilitation and restoration costs, shown as part of "Asset retirement obligations" in the "Other noncurrent liabilities" account in the consolidated statements of financial position amounted to $16.7 million and $14.7 million, respectively (see Note 16).

Completion of the Northern Negros to Nasulo (N2N) Project
In April 2011, EDC suspended the operations of its 49 MW NNGP because the plant was not capable of operating on its designed capacity due to steam supply limitations. As a result, EDC fully impaired its NNGP assets and recognized an accumulated impairment loss of $115.4 million as of December 31, 2011.

In February 2012, EDC transferred vacuum pumps previously used in NNGP to the extent possible from NNGP to the Palinpinon Power Plant owned by GCGI. Since these transferred assets can still be utilized and were included in the CGU of the Palinpinon Power Plant, EDC recognized a corresponding reversal of impairment loss amounting to $1.5 million, representing the net book value of the assets transferred had no impairment loss been previously recognized.

In the last quarter of 2013, to utilize the facilities and fixed assets of NNGP, EDC transferred the power plant to the Nasulo site in Southern Negros and became part of the CGU of the Nasulo Steam and Power Plant.

During the relocation and construction of the Nasulo Geothermal Power Plant, the company incurred general borrowings used to fund the project. The borrowing cost capitalized in connection with the project amounted to $0.3 million. Average interest rate used in computing capitalized borrowing costs is 2.03%.

EDC performed testing run from April 2014 to July 20, 2014. The total revenue generated from testing the power plant amounted to $7.7 million and out of this amount, $2.3 million was offset against the cost of property, plant and equipment.

On July 21, 2014, EDC declared that the Nasulo Power Plant was already in the status necessary for it to operate as intended by management. Consequently, the total cost of the newly constructed assets was reclassified from "Construction in progress" to "Power Plants, Buildings, Improvements and Other Structures" category. Since the service potential of asset transferred had already been established, EDC recognized the reversal of the previously impaired NNGP assets amounting to $46.3 million, representing the net book value of the assets transferred had no impairment loss been previously recognized and the corresponding deferred tax asset of $4.6 million.

For purposes of determining the recoverable amount of the NNGP assets installed in Nasulo, EDC computed the value-in-use of the CGU consisting of the following:
1.) Newly constructed or purchased components of the Nasulo Power Plant
2.) Previously impaired NNGP assets installed in the Nasulo Power Plant
3.) Steam field assets; and the
4.) Nasuji Power Plant.

Using the discounted cash flow projection, with 8.71% as the pre-tax discount rate, the recoverable amount of the particular CGU is estimated to be at ₱15,579.4 million.

Construction of the 97 MW Avion Open Cycle Natural Gas-Fired Power Plant (Avion Plant)
On August 1, 2014, PMPC signed an Engineering, Procurement and Supply (Offshore) Contract with Istroenergo Group (IEG) and an Onshore Engineering, Procurement and Construction Contract (EPC Contract) with Energy Project Completion Ltd., a Philippine Branch Office of IEG, for PMPC's 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 1,000 MW Santa Rita and 500 MW San Lorenzo natural gas-fired power plants in Batangas City. As of March 12, 2015, the construction of the Avion plant is on-going.

Signing of the EPC Contract with Meralco Industrial Engineering Services Corporation
On June 6, 2014, PMPC executed an EPC Contract with Meralco Industrial Engineering Services Corporation (MIESCOR) for the engineering, procurement, design, execution, construction and completion of the high voltage interconnection facility from PMPC's 97 MW Avion Plant to the existing 1,000 MW Santa Rita Plant Substation. MIESCOR is a wholly-owned subsidiary of MERALCO, and has experience in power generation, transmission and distribution, petrochemical/chemical and industrial plants, water resources, transportation and telecommunication system and building services.

Construction of the 414 MW San Gabriel Power Plant (San Gabriel Plant)
On December 16, 2013, FNPC signed a Construction Services Contract with Siemens Inc. for the design, installation, testing and commissioning of an approximately 450 MW(nominal) net capacity combined-cycle gas-fired San Gabriel power plant to be located in Santa Rita, Batangas City. The San Gabriel project is intended to serve the mid-merit and, potentially, the base load requirements of the Luzon Grid, is expected to be in commercial operations in March 2016. On the same day, FNPC signed an Equipment Supply Contract with Siemens AG for the engineering, design and supply of equipment for the San Gabriel power plant. This contract includes the supply of equipment which is composed mainly of the Siemens 8000H gas turbine, steam turbine, Heat Recovery Steam Generator, generator, control systems, high voltage equipment, condenser and auxiliaries.

As of December 31, 2014, FNPC has capitalized borrowing costs totaling to $2.6 million. Borrowing costs consist of interest on long-term debt, amortization of debt issuance cost and foreign exchange losses from the revaluation of accrued interest payable and long-term debt (net of accumulated debt issuance cost). As of March 12, 2015, the construction of the San Gabriel plant is on-going.

Impact of Typhoons Yolanda, Glenda and Sendong
In November 2013, certain assets of EDC located in Leyte sustained damage due to Typhoon Yolanda. As a result, EDC recognized loss totaling to $14.8 million representing the carrying amount of the damaged property, plant and equipment and the value of damaged inventories amounting to $12.3 million and $2.5 million, respectively.

As of December 31, 2014 and 2013, total rehabilitation costs capitalized as part of property, plant and equipment amounted to $2.7 million and $7.2 million, respectively, while the costs of repairs and minor construction activities charged to expense amounted to $2.1 million and $0.06 million in 2014 and 2013, respectively.

EDC received insurance proceeds from Typhoon Yolanda amounting to $8.7 million and $1.8 million for the years ended December 31, 2014 and 2013, respectively. Proceeds from insurance totaling to $12.2 million were received in 2014 and were presented as part of "Other income" in the consolidated statement of income, while proceeds from insurance amounting to $1.2 million in 2014 and $1.8 million in 2013 were offset against "Others" account in the Cost of sale electricity in the consolidated statements of income in 2014 and 2013, respectively (see Note 20).



Rehabilitation of BacMan Geothermal Power Plant (BMGPP)
On May 5, 2010, BGI acquired the 150 MW BMGPP in an auction conducted by PSALM where BGI submitted the highest offer price of $28.3 million.

Located in Bacon, Sorsogon City and Manito, Albay in the Bicol region, the BMGPP package consists of two steam plant complexes. The BacMan I power plant has two 55 MW generating units (Unit 1 and Unit 2) while BacMan II power plant has two 20 MW generating units (Cawayan or Unit 3, and Botong). EDC supplies the steam that fuels these power plants.

Following the rehabilitation which started in 2010, BGI's 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 years ended December 31, 2014 and 2013, the revenue from electricity generated during the testing period amounting to nil and $33.2 million, respectively, were offset against the cost of property, plant and equipment. Meanwhile, total revenue from electricity generated by Units 1, 2 and 3 from January to December 31, 2014 during commercial operations amounted to $68.5 million. Revenue from electricity generated by Unit 3 from October 1, 2013 to December 31, 2013 during its commercial operations amounting to $4.5 million was presented as part of the "Revenues from sale of electricity" account in the consolidated statement of income.

In 2014 and 2013, EDC has capitalized borrowing costs amounting to $0.2 million and $3.4 million, respectively, from general borrowings using a capitalization rate of 6.50% and 6.43%, respectively.

In October 2014, turbine retrofitting for BacMan Unit 2 was completed, thus increasing the capacity to 60 MW. As of December 31, 2014, the turbine retrofitting for BacMan Unit 1 to increase capacity to 60 MW is on-going and is estimated to be completed in February 2015.

Burgos Wind Energy Project
In March 2013, EDC entered into an agreement with Vestas Wind Systems (Vestas) of Denmark for the construction of the 87MW wind farm in Burgos, Ilocos Norte. The project is comprised of three components: (i) the establishment of a wind farm facility; (ii) a 115kV transmission line; and (iii) a substation adjacent to the wind farm. Under the EPC (turnkey) contract, 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 V90-3.0MW turbine together with associated on-site civil and electrical works. EDC issued notice to proceed to Vestas in June 2013 for the construction of wind energy assets.

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 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 11).

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 15). As the proceeds of the bonds are used specifically for the construction of the Burgos wind project, EDC capitalized the actual borrowing costs incurred on the bonds amounting $5.9 million and $3.3 million for the years ended December 31, 2014 and 2013, respectively, net of investment income on temporary investment of the proceeds of the bonds. Effective interest rates used for the ₱4.0 billion and ₱3.0 billion fixed-rate peso bonds are 4.73% and 4.16%, respectively.



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 from 87MW to 150MW.

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

On November 12, 2014, EBWPC received DOE's Certificate of Endorsement (COE) for the FIT Eligibility endorsing the 150 MW Burgos Wind Project (Phase 1 – 87MW and Phase 2 – 63MW) for the purpose of qualifying the project under the FIT System. A Provisional Authority to Operate the 150MW Burgos Wind Project was issued to EBWPC by the ERC.

The COE for FIT Eligibility was issued by the DOE after validation of the project's successful commissioning as reported on November 5, 2014 in accordance with Department Circular No. DC 2013-05-0009, otherwise known as the Guidelines for the Selection Process of Renewable Energy Projects Under Feed-In Tariff System and the Award of Certificate for Feed-In Tariff Eligibility.

Depreciation and Amortization

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

	2014	2013
Property, plant and equipment	**$148,718**	$145,610
Intangible assets (see Note 11)	**16,398**	17,412
Capitalized depreciation	**(1,206)**	(3,839)
	$163,910	$159,183

	2014	2013	2012
Costs of sale of electricity (see Note 20)	**$153,233**	$149,296	$148,046
General and administrative (see Note 20)	**10,677**	9,887	9,506
Discontinued drilling operations (see Note 4)	**–**	–	450
	$163,910	$159,183	$158,002

Reclassifications

The reclassifications in the cost of Property, plant and equipment include the capitalized depreciation charges amounting to $1.2 million in 2014 and $3.9 million in 2013 under "Construction in progress" which primarily relates to ongoing drilling of wells.

11. Goodwill and Intangible Assets

Movements in the account are as follows:

	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	**2,624**	**–**	**–**	**–**	**1,952**	**4,576**
Reclassification	**–**	**–**	**–**	**–**	**1,221**	**1,221**
Foreign exchange adjustments	**(7,838)**	**(1,365)**	**(394)**	**–**	**(54)**	**(9,651)**
Balances at December 31, 2014	**1,079,493**	**186,421**	**53,774**	**13,253**	**6,987**	**1,339,928**
Accumulated Amortization						
Balances at December 31, 2013	**–**	**94,131**	**15,438**	**6,776**	**602**	**116,947**
Amortization (see Note 10)	**–**	**13,223**	**2,169**	**602**	**404**	**16,398**
Foreign exchange adjustments	**–**	**(793)**	**(130)**	**–**	**(8)**	**(931)**
Balances at December 31, 2014	**–**	**106,561**	**17,477**	**7,378**	**998**	**132,414**
Net Book Value	**$1,079,493**	**$79,860**	**$36,297**	**$5,875**	**$5,989**	**$1,207,514**

	2013					
	Goodwill	Concession Rights for Contracts Acquired	Water Rights	Pipeline Rights	Other Intangible Asset	Total
Cost						
Balances at December 31, 2012	$1,172,355	$203,088	$58,581	$13,253	$11,394	$1,458,671
Additions	–	–	–	–	4,070	4,070
Reclassifications (see Note 10)	–	–	–	–	(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	–	87,515	14,353	6,173	–	108,041
Amortization (Note 10)	–	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 December 31, 2014 and 2013, the Parent Company's goodwill is allocated to the following CGUs (amounts in thousands):

Entity	Cash-generating Unit	**2014**	2013
Red Vulcan	EDC and Subsidiaries	**$1,011,117**	$1,018,519
FGHC	Santa Rita power plant complex	**9,086**	9,086
GCGI	Palinpinon and Tongonan power plant complex	**50,128**	50,495
FG Hydro	Pantabangan/Masiway hydroelectric power plants	**6,559**	6,607
EDC HKL	Hot Rock entities	**2,603**	–
Total		**$1,079,493**	$1,084,707

On January 3, 2014, EDC Hong Kong Limited (EDC HKL), a wholly owned subsidiary of EDC acquired Hot Rock Peru BVI and Hot Rock Chile BVI (collectively, the Hot Rock entities) with a total acquisition cost of $3.0 million and recognized Goodwill amounting to $2.6 million. This effectively gave EDC HKL a 100% indirect interest to acquirees' subsidiaries namely, EDC Energia Verde Chile SpA, EDC Energia de la Tierra SpA and EDC Energia Verde Peru SAC. This acquisition was accounted for using PFRS 3 (Revised). These Hot Rock entities are at the initial phase of geothermal power business and have been granted with government concession license to exploit geothermal resources and are engaged in exploration of geothermal energy in Chile and Peru.

On the same date, EDC HKL remitted $1.8 million and $1.2 million to Hot Rock Peru BVI and Hot Rock Chile BVI, respectively, representing the full payment of the acquisition.

The fair values of the identifiable assets that were recognized on acquisition date are as follows:

	Fair Values	
	In USD	In PHP
Cash	$8	₱333
Non-trade receivable	1	20
Input VAT	152	6,743
Exploration costs	218	9,693
Total assets	379	16,789
Percentage of ownership acquired	100%	100%
Share in assets acquired	379	16,789
Goodwill arising from acquisition	2,624	116,396
Total acquisition cost	$3,003	₱133,185

Goodwill is tested for impairment annually as at December 31 for Red Vulcan, FGHC and FG Hydro, and September 30 for GCGI or more frequently; if events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amounts have been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rates applied in cash flow projections and the growth rates used to extrapolate the cash flows beyond the remaining term of the existing agreements for the years ended December 31, 2014 and 2013 are summarized as follows:

	2014		2013	
Entity	**Pre-tax discount rates**	**Growth rates**	Pre-tax discount rates	Growth rates
Red Vulcan	**8.7%**	**4.0%**	8.1%	3.7%
FGHC	**9.8%**	**2.3%**	11.6%	2.5%
GCGI	**7.9% for Tongonan; 8.1% for Palinpinon**	**4.0%**	6.1% for Tongonan; 7.8% for Palinpinon	4.0%
FG Hydro	**8.8%**	**4.0%**	9.1%	4.0%

Key assumptions with respect to the calculation of value-in-use of the cash-generating units as of December 31, 2014 and 2013 on which management had based its cash flow projections to undertake impairment testing of goodwill are as follows:

- Budgeted Gross Margins
  The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements.

- Discount Rate
  Discount rate reflects the current market assessment of the risk specific to each CGU. The discount rate is based on the average percentage of the company's weighted average cost of capital. This rate is further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted.

No impairment loss on goodwill was recognized in the consolidated statements of income for each of the three years in the period ended December 31, 2014.

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 (₱8,336.7 million). Such intangible asset pertains to the SSAs 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 6.0 years as of December 31, 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, gave its consent to the transfer to FG Hydro, as the winning bidder of the PAHEP/MAHEP, 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 NIA. The remaining amortization period of water rights is 16.9 years as of December 31, 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 GSPA. The remaining amortization period of pipeline rights is 9.75 years as of December 31, 2014.



Other Intangible Asset
Other intangible asset pertains to EDC's wind energy project development costs and computer software and licenses.

12. Other Noncurrent Assets

This account consists of:

	2014	2013
Input VAT	**$102,138**	$94,331
Exploration and evaluation assets	**62,645**	53,627
Tax credit certificates	**54,257**	35,153
Prepaid major spare parts [see Note 27(h)]	**43,117**	16,693
Deferred debt issuance costs (see Note 15)	**17,171**	–
AFS financial assets (see Notes 9, 25 and 26)	**7,416**	7,830
Derivative assets (see Notes 25 and 26)	**4,513**	4,166
Special deposits and funds	**2,446**	4,009
Prepaid expenses	**8,368**	3,500
Long-term receivables (see Notes 25 and 26)	**2,545**	2,004
Retirement assets (see Note 22)	**4,310**	–
Others	**8,836**	6,419
	317,762	227,732
Less: Allowance for doubtful accounts	**(9,091)**	(10,657)
	$308,671	$217,075

Input VAT
Input VAT includes the outstanding input VAT claims of $39.9 million and $34.1 million as of December 31, 2014 and 2013, respectively. Input VAT claims of $18.9 million in 2012, $10.3 million in 2011, $5.8 million in 2010, $2.9 million in 2008 and $2.0 million in 2007 are still pending with the BIR/Court of Tax Appeals (CTA) as of December 31, 2014.

Exploration and Evaluation Assets

	2014	2013
Cost		
Balances at beginning of year	**$66,575**	$39,077
Additions	**9,486**	32,025
Write-off (Note 3)	**(12,961)**	–
Foreign exchange adjustments	**(455)**	(4,527)
Balances at end of year	**62,645**	66,575
Accumulated Impairment		
Balances at beginning of year	**12,948**	–
Write-off (Note 3)	**(12,961)**	–
Provision of impairment	**–**	13,621
Foreign exchange adjustments	**13**	(673)
Balances at end of year	**–**	12,948
Net Book Value	**$62,645**	$53,627

Details of exploration and evaluation assets per project are as follows:

	2014	2013
Rangas/Kayabon	**$35,443**	$29,137
Mindanao III	**22,680**	22,084
Dauin/Bacong	**1,602**	1,360
Others	**2,920**	1,046
	$62,645	$53,627

Prepaid Major Spare Parts

As of December 31, 2014 and 2013, prepaid major spare parts amounting to nil and $80.0 million, respectively, were reclassified to the "Property, plant and equipment" account as a result of the scheduled major maintenance outages of the San Lorenzo and Santa Rita power plants (see Note 10).

Tax Credit Certificates (TCCs)

In April and June 2010, TCCs totaling to $36.9 million were issued by the BIR to EDC with respect to its Input VAT claims on Build-Operate-Transfer (BOT) fees from 1998 and 1999 amounting to $42.7 million. Such TCCs shall be utilized over a period of five years starting in 2011 to 2015 with a cap of ₱300.0 million per year, except in 2015 where the remaining balance may be fully applied.

On August 17, 2012, BIR issued TCCs to EDC amounting to $0.6 million for the Input VAT claims covering the period from January 1 to March 31, 2010. In 2013, BIR issued TCC to EDC amounting to $4.8 million, $3.4 million, and $2.2 million which represents input VAT claims for 2009, 2010, and first quarter of 2011, respectively. GCGI likewise received TCCs amounting to $0.6 million pertaining to its 2010 Input VAT claims in 2013.

In 2014 and 2013, the EDC utilized its TCCs amounting to $0.7 million and $1.5 million respectively, for payment of DST and various taxes. GCGI, on the other hand, utilized its TCCs amounting $0.3 million and $0.6 million for income tax payments for the years ended 2014 and 2013, respectively.

EDC and GCGI classified a portion of its TCCs as current assets amounting to $1.0 million and $0.4 million respectively. These are expected to be utilized for payment of various taxes within twelve months.

TCCs that remain unutilized after five years from the date of original issuance are still valid provided that these are duly revalidated by the BIR within the period allowed by law.

Special Deposits and Funds

The special deposits and funds mainly consist of security deposit for various operating lease agreements covering office spaces and certain equipment; escrow accounts in favor of terminated employees and escrow accounts in favor of specified counterparties in certain transactions, the release of which is subject to certain conditions (see Notes 25, 26 and 27).



Allowance for Doubtful Accounts

The rollforward analysis of the allowance for doubtful accounts pertaining to Input VAT and long-term receivables is presented below:

	2014			
	Input VAT	**NPC**	**Others**	**Total**
Balances at beginning of year	**$8,969**	**$33**	**$1,655**	**$10,657**
Provision for doubtful accounts (see Note 20)	**1,204**	**–**	**140**	**1,344**
Reversal (see Note 20)	**(610)**	**–**	**–**	**(610)**
Write-off	**(2,236)**	**–**	**–**	**(2,236)**
Foreign exchange differences	**(51)**	**–**	**(13)**	**(64)**
Balances at end of year	**$7,276**	**$33**	**$1,782**	**$9,091**
Specific impairment	**$4,167**	**$33**	**$1,782**	**$5,982**
Collective impairment	**3,109**	**–**	**–**	**3,109**
Total	**$7,276**	**$33**	**$1,782**	**$9,091**

	2013			
	Input VAT	NPC	Others	Total
Balances at beginning of year	$13,588	$36	$1,601	$15,225
Provision for doubtful accounts (see Note 20)	2,723	–	196	2,919
Reversal (see Note 20)	(1,866)	–	–	(1,866)
Write-off	(4,639)	–	(13)	(4,652)
Foreign exchange differences	(837)	(3)	(129)	(969)
Balances at end of year	$8,969	$33	$1,655	$10,657
Specific impairment	$4,197	$33	$1,631	$5,861
Collective impairment	4,772	–	24	4,796
Total	$8,969	$33	$1,655	$10,657

Prepaid Expenses

In connection with the installation of Burgos Wind Project's wind turbines and related transmission towers, EDC entered into uniform land lease agreements and contracts of easement of right of way, respectively, with various private landowners. The term of Land lease agreement starts from the execution date of the contract and ends after 25 years from the commercial operations of the Burgos Wind project. The total prepaid lease amounts to $3.2 million.

13. Accounts Payable and Accrued Expenses

This account consists of:

	2014	2013
Trade	**$260,045**	$256,629
Deferred output VAT	**46,874**	43,603
Accrued interest and financing costs	**27,299**	26,630
Withholding & other taxes payable	**16,776**	14,806
Royalty fee payable	**1,303**	894
Output VAT	**908**	3,451
Others	**13,704**	11,550
	$366,909	$357,563

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

"Royalty fee payable" pertains to outstanding payable to the Philippine Government (Government) for its share on certain earnings of EDC generated from renewable energy. Under the Renewable Energy (RE) Law, EDC shall pay royalty fee equivalent to 1.5% of its gross income. Such fiscal incentive was applied by EDC beginning February 1, 2009 (see Note 27).

On May 8, 2012, upon execution of their respective Geothermal Operating Contracts with the DOE, GCGI and BGI also became subject to the royalty fee of 1.5% of their gross income (see Note 27). In 2014, upon receipt of the COE for FIT Eligibility, EBWPC became subject to the royalty fee of 1% of its gross income.

Royalty fees are allocated between the DOE and LGUs where the geothermal resources are located and payable within 60 days after the end of each quarter. Royalty fees expense amounted to $6.1 million, $5.5 million and $4.0 million for the years ended December 31, 2014, 2013 and 2012, respectively. Royalty fee expense is presented as part of "Others" in the "Costs of sale of electricity" in the consolidated statements of income (see Note 20).

"Other payables" account mainly includes EDC's provision for shortfall generation and a portion of liabilities on regulatory assessments and other contingencies (see Note 3).

As of December 31, 2014 and 2013, EDC has unused credit facilities from various local banks equivalent to $424.9 million (₱19.0 billion) and $344.6 million (₱15.3 billion), respectively, which may be availed for future operating activities.

14. Loans Payable

Short-term loans

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 will mature on March 21, 2014 and has an interest rate of 1.21% per annum, of which, $20.0 million of the FGP loan was rolled over for 119 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 remaining balance of $20.0 million.

15. Long-term Debts

This account consists of long-term debts of:

	2014	2013
EDC	**$1,473,440**	$1,230,742
First Gen	**391,676**	393,514
FGP	**380,497**	397,850
FGPC	**321,308**	366,008
Red Vulcan	**112,925**	140,430
FNPC	**85,362**	–
FG Hydro	**79,830**	88,073
	2,845,038	2,616,617
Less current portion	**332,269**	124,473
	$2,512,769	$2,492,144

EDC

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

Creditor/Project	Maturities	Interest Rates	2014	2013
US$300.0 Million Notes	January 20, 2021	6.5%	**$297,545**	$297,200
Peso Public Bonds				
▪ Series 1 - ₱8.5 billion	June 4, 2015	8.6418%	**189,811**	190,609
▪ Series 2 - ₱3.5 billion	December 4, 2016	9.3327%	**77,879**	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	**64,186**	72,152
▪ IFC 2 - ₱3.3 billion	2013-2025	6.6570%	**60,735**	66,667
Fixed Rate Note Facility (FXCN)				
▪ ₱4.0 billion	2012-2022	6.6108%	**86,250**	87,646
▪ ₱3.0 billion	2012-2022	6.6173%	**64,659**	65,726
Refinanced Syndicated Term Loan				
▪ US$175.0 million	June 27, 2017	LIBOR plus 1.75% margin	**121,504**	138,457
Fixed Rate Bond (FXR)				
▪ ₱4.0 billion	May 3, 2023	4.7312%	**87,755**	88,988
▪ ₱3.0 billion	May 3, 2020	4.1583%	**66,395**	66,767
US$80 Million Term Loan	June 21, 2018	LIBOR plus 1.8% margin	**75,372**	78,260
EBWPC Loans:				
$35.5M Commercial Debt Facility	October 23, 2029	LIBOR plus 2.0% margin	**34,432**	–
$139.0M ECA Debt Facility	October 23, 2029	LIBOR plus 2.35% margin	**133,130**	–
₱5.17 B Commercial Debt Facility	October 23, 2029	PDST-F rate plus 2.0% margin	**113,787**	–
Total			**1,473,440**	1,230,742
Less current portion			**226,234**	34,510
Noncurrent portion			**$1,247,206**	$1,196,232

The long-term debts are presented net of unamortized debt issuance costs. A rollforward analysis of unamortized debt issuance costs is as follows:

	2014	2013
Balances at beginning of year	**$13,472**	$12,926
Additions during the year	**9,983**	4,012
Accretion during the year charged to "Interest expense and financing charges" account (see Note 21)	**(3,900)**	(2,414)
Foreign exchange adjustments	**(148)**	(1,052)
Balances at end of year	**$19,407**	$13,472

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.

$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 150MW Burgos Wind Project in Ilocos Norte. The facility 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.

Eksport Kredit Fonden, Denmark's export credit agency, guaranteed a part of the dollar loan component. The Mandated Lead Arrangers for the foreign tranche are Australia and New Zealand Banking Group Limited (ANZ), DZ Bank AG, ING Bank NV, Malayan Banking Berhad (Maybank) and Norddeutsche Landesbank Gironzentrale. The local tranche, meanwhile was arranged by PNB Capital and Investment Corporation and SB Capital Investment Corporation among a syndicate of local lenders namely BDO Unibank, Inc. (BDO), Land Bank of the Philippines (Landbank), Philippine National Bank (PNB), and Security Bank Corporation (SBC).

Under the agreement of the Burgos Wind Project Financing, EBWPC's debt service is guaranteed by EDC. This guarantee will fall away once the conditions set in the loan agreement are met. Therefore, until the debt service guarantee falls away, EBWPC is subject to the same maintenance ratios of EDC. In addition, for the lender's security, a debt service reserve account is maintained.

Bridge Loans

On June 16, 2014, EDC signed a two-year loan facilities with an aggregate principal amount of ₱2,700.0 million ($60.2 million) with PNB and SBC. Of the total amount, PNB will provide ₱1,300.0 million ($29.0 million) and SBC will provide ₱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 ANZ and Mizuho Corporate Bank, Ltd. (Mizuho) 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 150MW Burgos Wind Project. In 2014, part of the proceeds from the $315 million financing agreement for the construction of the 150MW Burgos Wind Project was used to prepay the bridge loans availed in June 2014.

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 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 FXR bonds, which have been listed on the Philippine Dealing & Exchange Corp. (PDEx), are comprised of $69.4 million (₱3,000.0 million) seven-year bonds at 4.1583% and $92.6 million (₱4,000.0 million) 10-year bonds at 4.7312% due on May 3, 2020 and May 3, 2023, respectively. Interest is payable semi-annually starting November 3, 2013. Transaction costs incurred in connection with the issuance of the seven-year bonds and 10-year bonds amounted to $0.9 million and $1.2 million, respectively. The net proceeds of the FXR bonds were used to partially fund the 87 MW Burgos Wind Project located in Burgos, Ilocos Norte (see Note 10).

For the years ended December 31, 2014 and 2013, EDC capitalized the actual borrowing costs incurred on the FXR bonds amounting to $5.9 million and $3.3 million, respectively (see Note 10).

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 (SGEX).

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 Rizal Commercial Banking Corporation (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.

EDC recognized loss amounting to $2.7 million arising from early extinguishment of FRCN in 2012. Debt issuance costs amounting to $2.4 million was capitalized as part of the new FXCN.

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 ANZ-Manila Branch, BTMU, Chinatrust (Philippines) Commercial Banking Corporation, ING Bank N.V., Manila Branch, Maybank Group, Mizuho, 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 EDC's outstanding debts include, among others, maintenance of certain level of current, debt-to-equity and debt-service ratios. As of December 31, 2014 and 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 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 SGEX.

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, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. As of December 31, 2014, the Parent Company is in compliance with the terms of the Notes.

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 December 31, 2014 and 2013 are as follows:

	2014	2013
Balances at beginning of year/inception of the loan	**$3,489**	$3,547
Accretion during the year charged to the "Interest expense and financing charges" account (see Note 21)	**(263)**	(58)
Balances at end of year	**$3,226**	$3,489

$100.0 Million Notes Facility
On December 17, 2010 (the "Effective Date"), the Parent Company, 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 December 31, 2014 and 2013, the Parent Company is in compliance with the terms of the Notes Facility Agreement.

As of December 31, 2014 and 2013, the unamortized debt issuance costs incurred amounted to $1.1 million and $1.5 million, respectively. The movement of the account is as follows:

	2014	2013
Balances at beginning of year	**$1,497**	$1,883
Accretion during the year charged to the "Interest expense and financing charges" account (see Note 21)	**(399)**	(386)
Balances at end of year	**$1,098**	$1,497

Convertible Bonds (CBs)
On February 11, 2008, the Parent Company issued $260.0 million, U.S. dollar-denominated CBs due on February 11, 2013 with a coupon rate of 2.50%. The CBs were listed on the SGEX. The CBs constituted the direct, unsubordinated and unsecured obligations of the Parent Company, ranking *pari passu* in right of payment with all other unsecured and unsubordinated debt of the Parent Company during the period it was outstanding.

The CBs included an equity conversion option whereby each bond could have been convertible, at the option of the holder, into fully-paid shares of common stock of the Parent Company. The initial conversion price was ₱63.72 a share with a fixed exchange rate of $1.00 to ₱40.55, subject to adjustments under circumstances described in the Terms and Conditions of the CBs. The conversion price was subsequently adjusted to ₱26.94 a share to consider the effect of the stock dividend and the Rights Offering. The conversion right attached to the CBs could only be exercised, at the option of the holder, until 3:00 pm of January 31, 2013. The CBs and the stocks to be issued upon conversion of the CBs (and the stocks that would have been issued upon conversion of the CBs) were not be registered under the U.S. Securities Act of 1933, as amended, and subject to certain exceptions, were not offered or sold within the U.S. In addition, the conversion right was subject to a cash settlement option whereby the Parent Company could elect to make a cash settlement payment in respect of all or any portion of a holder's bonds deposited for conversion. The Parent Company also had a call option where it could redeem the CBs on or after February 11, 2010, in whole but not in part, at the early redemption amount, if the closing price of the stocks for any 20 trading days out of the 30 consecutive trading days prior to the date upon which the notice of such redemption is given, was at least 130% of the conversion price in effect of such trading period, or at any time prior to maturity, in whole but not in part, at the early redemption amount, if less than 10% of the aggregate principal amount of the CBs originally issued were then outstanding. The Bondholders had a put option which gave them the right to require the Parent Company to redeem the CBs at the early redemption amount on February 11, 2011. The early redemption amount was determined so that it represents 7.25%

gross yield to the Bondholder on a semi-annual basis. The equity conversion, call and put option features of the CB were identified as embedded derivatives and were separated from the host contract. Until the full redemption of the CBs on February 11, 2013, the Parent Company was in compliance with the bond covenants.

On February 11, 2011, the holders of the CBs amounting to $72.5 million exercised their put option to require the Parent Company to redeem all or some of the CBs, at a price of 115.6% of the face value. The total put value which equals the carrying amount of the CBs amounting to $83.8 million (with a face value of $72.5 million) was paid on February 11, 2011. In 2011, in addition to the redeemed CBs, the Parent Company bought back CBs with a face value of $43.5 million for a total settlement amount of $53.7 million, inclusive of a premium amounting to $10.2 million. In 2012, the Parent Company bought back CBs with a face value of $13.0 million for a total settlement amount of $16.4 million, inclusive of a premium amounting to $3.4 million.

On February 11, 2013, the Parent Company fully redeemed the remaining balance of the CBs for a total settlement amount of $73.0 million, inclusive of a premium amounting to $16.0 million.

As of December 31, 2013, the carrying amount of the host contract amounted to nil.

The movements in the account are as follows:

	2013
Balance at beginning of year	$72,578
Accretion for the year charged to the "Interest expense and financing charges" account (see Note 21)	394
Full settlement of convertible bonds	(72,972)
Balance at end of year	$–

FGP

Long-term debts of FGP consist of U.S. dollar-denominated borrowings availed from various lenders to partly finance the operations of its power plant complex.

		Facility	Outstanding Balances	
Nature	Repayment Schedule	Amount	**2014**	2013
Term loan facility with various local banks and with interest at six-month LIBOR plus 2.25%	Repayment to be made in various semi-annual installments from 2013 up to 2022	$420,000	**$380,497**	$397,850
Less current portion			**25,373**	17,353
Noncurrent portion			**$355,124**	$380,497

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, Bank of the Philippine Islands (BPI), PNB, RCBC, Union Bank of the Philippines (Union Bank), The Hongkong and Shanghai Banking Corporation Limited, and SBC. The proceeds will be used to repay in full the aggregate principal, accrued interest 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 First Gen to fund its 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 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 on November 5, 2012 as dividends and advances which are interest-bearing.

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 rate 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. The fixed interest rate shall be effective on December 10, 2015 to December 10, 2017, as applicable.

As of December 31, 2014 and 2013, the unamortized debt issuance costs incurred in connection with FGP's long-term debts amounting to $3.5 million and $4.2 million, respectively, were deducted against the long-term debts for financial reporting purposes.

Movements of debt issuance costs are as follows:

	2014	2013
Balances at beginning of year	**$4,150**	$4,810
Accretion for the year charged to the "Interest expense and financing charges" account (see Note 21)	**(647)**	(660)
Balances at end of year	**$3,503**	$4,150

The covenants in the 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 the 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 December 31, 2014 and 2013, FGP is in compliance with the terms of the said agreement.

FGPC

Long-term debts of FGPC consist of U.S. dollar-denominated borrowings availed from various lenders to finance the operations of its power plant complex.

		Facility	Outstanding Balances	
Nature	Repayment Schedule	Amount	**2014**	2013
Covered foreign currency-denominated loans payable to foreign financing institutions with annual interest at six months LIBOR plus 3.25% margin and political risk insurance (PRI) premium	Repayment to be made in various semi-annual installments from 2009 up to 2021	$312,000	**$236,030**	$250,586

Nature	Repayment Schedule	Facility Amount	Outstanding Balances **2014**	2013
Uncovered foreign currency-denominated loans payable to foreign financing institutions with annual interest at six months LIBOR plus margin of 3.50% on the 1st to 5th year, 3.75% on the 6th to 7th year and 3.90% on the succeeding years	Repayment to be made in various semi-annual installments from 2009 up to 2018	$188,000	**$85,278**	$115,422
Total			**321,308**	366,008
Less current portion			**39,727**	36,172
Noncurrent portion			**$281,581**	$329,836

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 namely: (i) a Covered Facility with PRI amounting to $312.0 million with a tenor of 12.5 years, (ii) an Uncovered Facility amounting to $188.0 million with a ten-year tenor, 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 repay the outstanding loans of FGPC amounting to $132.0 million and the remaining balance was upstreamed to FGPC's shareholders as dividends and advances which are interest-bearing. Such advances to shareholders 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.

In 2010, Bayerische Hypo-Und Vereinsbank AG (Hong Kong Branch) and Société Générale (Singapore Branch) assigned all of their rights and obligations under the financing agreements up to the amounts 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 $5.5 million (principal amount of Uncovered Facility to BDO), respectively. In 2012, Société Générale (Singapore Branch) assigned all of its rights and obligations under the financing agreements up to $19.9 million of principal amount of the Covered Facility to Allied Bank which was subsequenty transferred to PNB as a result of merger of the two banks effective February 9, 2013.

However, the existing swap contracts (see Note 26) with Bayerische Hypo-Und Vereinsbank AG (Hong Kong Branch) and Société Générale (Singapore Branch) were not assigned.

As of December 31, 2014 and 2013, the unamortized debt issuance costs incurred in connection with FGPC's long-term debts amounting to $4.9 million and $6.5 million, respectively, were deducted against the long-term debts for financial reporting purposes.

Movements of debt issuance costs are as follows:

	2014	2013
Balances at beginning of year	**$6,455**	$8,209
Accretion for the year charged to the "Interest expense and financing charges" account (see Note 21)	**(1,555)**	(1,754)
Balances at end of year	**$4,900**	$6,455

The Common Terms Agreement 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 of 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 December 31, 2014 and 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 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 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.

The balance of FGP's and FGPC's unrestricted security accounts, included as part of the "Cash and cash equivalents" account in the consolidated statements of financial position as of December 31, 2014 and 2013, amounted to $96.4 million and $119.7 million, respectively (see Note 6).

Red Vulcan

On November 26, 2007 (the "Drawdown Date"), Red Vulcan availed of 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 in relation to the stake sale of 60% of EDC's issued and outstanding capital stock under an Omnibus Loan and Security Agreement (the "Staple Financing Agreement"). The Staple Financing was made available by a group of local lenders; namely, the Development Bank of the Philippines (DBP), BDO, and Landbank (collectively referred to as the "Staple Financing Lenders"). The interest rate of the

Secured Indebtedness was 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; and not dispose of all or substantially all of its and EDC's assets. In addition, Red Vulcan was 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 at that time, 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.

On August 13, 2009, BDO Trust executed a Deed of Assignment with respect to its corresponding share on the outstanding balance of the loan wherein it assigned, set over, transferred and conveyed without recourse, all its rights, title and interest to Prime Terracota. Prime Terracota then became one of the creditors of Red Vulcan.

On February 5, 2010, with the conformity of the lenders, Red Vulcan effected a partial prepayment of its outstanding loan payable to Prime Terracota, amounting to $115.0 million (₱5,296.2 million) [(gross of debt issuance cost of $1.0 million (₱48.0 million)] plus accrued interest amounting to $1.7 million (₱80.3 million) by way of converting such loan payable into deposits for future stock subscriptions. On April 20, 2010, Red Vulcan made an additional cash prepayment to BDO amounting to $5.7 million (₱260.0 million). On April 11, 2011, Red Vulcan again made a partial prepayment of its outstanding loan payable to BDO amounting to $15.7 million (₱713.7 million) plus accrued interest amounting to $4.58 million (₱199.4 million). Dividends received from EDC were used to partially prepay the loan.



Discharged Shares

I. On July 11, 2011, pursuant to the amended and restated Omnibus Loan and Security Agreement (Amendment No. 3), 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 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 the 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:

	2014	2013
Balances at beginning of year	**$921**	$566
Additions during the year	**–**	832
Accretion during the year charged to "Interest expense and financing charges" account (see Note 21)	**(352)**	(413)
Foreign exchange adjustments	**(3)**	(64)
Balances at end of year	**$566**	$921

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 has the option to select its new applicable interest rate between a fixed or a floating interest rate. FG Hydro has initially opted to avail of the loan at the floating rate which is 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 December 31, 2014 and 2013, FG Hydro is in compliance with those covenants.

The unamortized debt issuance costs incurred in connection with the availment of long-term debt by FG Hydro were deducted against the long-term debt. As of December 31, 2014 and 2013, the unamortized debt issuance costs incurred amounted to nil.

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 414MW 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, the Parent Company 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.

As of December 31, 2014, FNPC made a total drawdown on the Export Credit Facility amounting to $94.8 million.

In addition, FNPC pays a commitment fee 0.6% per annum on the undrawn amount. As of December 31, 2014, total deferred debt issuance costs pertaining to the undrawn portion amounts to $17.2 million. This amount is included in the "Other noncurrent assets" account in the consolidated statements of financial position (see Note 12).



At inception, the loan was recorded net of debt issuance cost amounting to $9.7 million. The movements of the unamortized debt issue costs account as of December 31, 2014 are as follows:

Balance at inception of the loan	$9,723
Accretion during the year charged to "Interest expense and financing charges" account (see Note 21)	(312)
Foreign exchange difference	(5)
Balances at end of year	$9,406

16. **Other Noncurrent Liabilities**

	2014	2013
Asset retirement obligations	**$18,183**	$16,084
Accrued sick and vacation leaves	**9,209**	8,738
Others	**12,093**	10,616
	$39,485	$35,438

Asset Retirement Obligations

This account consists of the asset retirement obligations of FGP, FGPC and FG Bukidnon. Under their respective ECCs, 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 pertains to the present value of the 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 10).

Movements of the asset retirement obligations follow:

	2014	2013
Balances at beginning of the year	**$16,084**	$13,282
Accretion for the year charged to "Interest expense and financing charges" account (see Note 21)	**1,026**	669
Effect of revision of estimate	**1,374**	3,243
Foreign exchange adjustments	**(301)**	(1,110)
Balances at end of year	**$18,183**	$16,084

Accrued Sick Leave and Accrued Vacation Leave
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.

17. **Equity**

a. Capital Stock

Details and movements of the Parent Company's capital stock are as follows:

	Number of Shares		
	2014	2013	2012
Redeemable preferred stock (Series "B") - ₱0.50 par value			
Authorized	**1,000,000,000**	1,000,000,000	1,000,000,000
Issued	**1,000,000,000**	1,000,000,000	1,000,000,000
Redeemable preferred stock (Series "E") - ₱0.50 par value			
Authorized	**1,500,000,000**	1,500,000,000	1,500,000,000
Issued	**468,553,892**	468,553,892	468,553,892
Redeemable preferred stock (Series "F") - ₱10.00 par value			
Authorized	**100,000,000**	100,000,000	100,000,000
Issued	**100,000,000**	100,000,000	100,000,000
Redeemable preferred stock (Series "G") - ₱10.00 par value			
Authorized	**135,000,000**	135,000,000	135,000,000
Issued	**133,750,000**	133,750,000	133,750,000
Common stock - ₱1 par value			
Authorized:	**5,000,000,000**	5,000,000,000	5,000,000,000
Issued:			
Balances at beginning of year	**3,643,320,457**	3,642,777,188	3,642,204,468
Stocks issued under the stock option plan (see Note 18)	**–**	543,269	572,720
Balances at end of year	**3,643,320,457**	3,643,320,457	3,642,777,188

As of December 31, 2014, the Parent Company's redeemable preferred stock consists 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 stocks representing approximately 9% of the Parent Company's total outstanding common stocks. 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 December 31, 2014.

During the May 12, 2014 Annual Stockholders' Meeting, the stockholders and the BOD of the Parent Company approved a two-year buy-back 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 buy-back 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. There are no stocks purchased under the program from May 12, 2014 to December 31, 2014.

On January 26, 2011, the BOD of the Parent Company approved the setting of dividend rate of ₱0.01 a share to Series "E" preferred stocks.



On July 25, 2011, the Parent Company issued ₱10.0 billion Perpetual Preferred Shares (the Series "F" Preferred Stocks) at a dividend rate of 8.0%. The Parent Company approved and authorized the issuance by way of private placement or issuance to Qualified Buyers under Sections 10.1 (k) and (l) of the SRC of One Hundred Million (100,000,000) of its Series "F" Preferred Stocks with a par value of ₱10 a share and an issue price of ₱100 a share. The Series "F" Preferred Stocks are cumulative, non-voting, non-participating, non-convertible and peso-denominated. On the seventh anniversary of the issue date or on any dividend payment date thereafter, the Parent Company shall have the option, but not the obligation, to redeem all of the Series "F" Preferred Stocks outstanding. Total proceeds of the issuance of the Series "F" Preferred Stocks amounted to $235.7 million (₱10.0 billion). Transaction costs amounting to $1.2 million (₱53.0 million) was incurred and deducted from the additional paid-in capital.

On November 16, 2011, the BOD of the Parent Company approved the following amendments/matters to Article Seventh of the Parent Company's Amended Articles of Incorporation:

- to create 135 million Series "G" preferred stocks with a par value of ₱10 a share with the following features: issue value and dividend rate to be determined by the BOD at the time of issuance, entitled to cumulative dividends, non-voting, non-participating, redeemable at the option of the Parent Company and in the event of liquidation, dissolution, distribution of assets or winding-up of the Parent Company shall be entitled to be paid at their issue value plus any accrued and unpaid dividends thereon;

- to increase the authorized capital stock from ₱7,250.0 million to ₱8,600.0 million; and,

- to file the corresponding amendments to Article Seventh of the Parent Company's Amended Articles of Incorporation to reflect the above items.

The above amendments/matters were submitted and approved by the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock during a special stockholders meeting held on January 25, 2012.

On February 27, 2012, FPH subscribed to 33,750,000 Series "G" Preferred Stocks for ₱337.5 million ($7.7 million) in connection with the Parent Company's application to increase its authorized capital stock.

On March 13, 2012, the Philippine SEC approved the increase in authorized capital stock of the Parent Company from ₱7,250.0 million to ₱8,600.0 million divided into 5,000,000,000 common stocks with a par value of ₱1 a share; 1,000,000,000 redeemable preferred stocks (Series "A" to "D") with a par value of ₱0.50 a share; 1,500,000,000 redeemable preferred stocks (Series "E") with a par value of ₱0.50 a share; 100,000,000 redeemable preferred stocks (Series "F") with a par value of ₱10 a share, and 135,000,000 redeemable preferred stocks (Series "G") with a par value of ₱10 a share.

On May 18, 2012, the Parent Company issued ₱10.0 billion Series "G" Perpetual Preferred Shares (the Series "G" Preferred Stocks") at a dividend rate of 7.7808%. The BOD of the Parent Company approved and authorized the issuance by way of public offer to be listed and traded on the First Board of the PSE of One Hundred Million (100,000,000) of its Series "G" Preferred Stocks with a par value of ₱10 a share and an issue price of ₱100 a share. The Series "G" Preferred Stocks are cumulative, non-voting, non-participating, non-convertible and peso-denominated. On the tenth anniversary of the issue date or on any dividend payment date thereafter, the Parent Company shall have the option, but not the obligation, to redeem all of



the Series "G" Preferred Stocks outstanding. Total proceeds from the issuance of the Series "G" Preferred Stocks amounted to $234.4 million (₱10.0 billion). Transaction costs amounting to $2.2 million (₱95.2 million) was incurred and deducted from the additional paid-in capital.

On May 25, 2012, FPH invested an additional $42.2 million (₱1.8 billion) by paying for the difference between the issue price it previously paid or ₱10 a share, and the issue price for the publicly-offered shares of ₱100 a share on the Twenty Million (20,000,000) Series "G" Preferred Stocks.

b. Retained Earnings

On November 13, 2014, the BOD of the Parent Company approved the declaration of 2015 cash dividends on its issued and outstanding preferred stocks as follows:

- For all outstanding Series "B" preferred stocks, cash dividends of two centavos (₱0.02) a share;
- For all outstanding Series "E" preferred stocks, cash dividends of one centavo (₱0.01) a share;
- For all outstanding Series "F" perpetual preferred stocks, cash dividends of four pesos (₱4.00) a share;
- 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; 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.

The above cash dividends have a record date of January 5, 2015 and a payment date of January 26, 2015.

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;
- 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; 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.

The above cash dividends have a record date of July 1, 2014 and a payment date of July 25, 2014.

On November 21, 2013, the BOD of the Parent Company approved the declaration of 2014 cash dividends on its issued and outstanding preferred stocks as follows:

- For all outstanding Series "B" preferred stocks, cash dividends of two centavos (₱0.02);
- For all outstanding Series "E" preferred stocks, cash dividends of one centavo (₱0.01);
- For all outstanding Series "F" perpetual preferred stocks, cash dividends of four pesos (₱4.00) a share;
- 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; 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.

The above cash dividends have a record date of January 2, 2014 and a 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.

On June 19, 2013, the BOD of the Parent Company approved the declaration of cash dividends on its issued and outstanding preferred stocks as follows:

- For all outstanding Series "F" perpetual preferred stocks, cash dividends of four pesos (₱4.00) a share;
- 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; 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.

The above cash dividends have a record date of July 3, 2013 and a payment date of July 25, 2013.

On November 21, 2012, the BOD of the Parent Company approved the declaration of 2013 cash dividends on its preferred stocks as follows:

- For all outstanding Series "B" preferred stocks, cash dividends of two centavos (₱0.02) a share;
- For all outstanding Series "E" preferred stocks, cash dividends of one centavo (₱0.01) a share;
- For all outstanding Series "F" perpetual preferred stocks, cash dividends of four pesos (₱4) a share;
- 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 20,000,000 shares that was topped-up by FPH), cash dividends of ₱3.8904 a share; 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.

The above cash dividends have a record date of January 2, 2013 and a payment date of January 25, 2013.

As of December 31, 2014 and 2013, total unpaid cash dividends on preferred stocks declared amounting to $20.1 million (₱896.9 million) and $20.2 million (₱896.9 million), respectively, are presented as "Dividends payable" in the consolidated statements of financial position.

The retained earnings balance is restricted to the extent of: (a) acquisition price of the treasury stocks amounting to $72.0 million and $62.3 million as of December 31, 2014 and 2013, respectively; and (b) the undistributed net earnings of subsidiaries and associates amounting to $286.1 million and $220.5 million as of December 31, 2014 and 2013, respectively. Undistributed earnings of the subsidiaries and associates 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 are as follows:

	2014	2013	2012
Balances at beginning of year	**308,251,700**	298,151,700	279,406,700
Common stocks acquired through market by subsidiaries during the year	**22,279,700**	10,100,000	18,745,000
Balances at end of year	**330,531,400**	308,251,700	298,151,700

On January 20, 2015, the Parent Company authorized the issuance of 279,406,700 common stocks to be taken from its treasury stock at issue price of ₱25.25 per share (the "Offer Price"). The price represents a 2.9 % discount to the last traded price of ₱26.00 per share.

d. NCI

For the years ended December 31, 2014 and 2013, the NCI arise from the profits or losses and net assets not held by First Gen Group in EDC and Subsidiaries

Financial information of subsidiaries that have material NCI interests are provided below:

	2014	2013
Proportion of equity interest held by NCI		
EDC and Subsidiaries	**49.71%**	49.93%
Accumulated balances of NCI		
EDC and Subsidiaries	**$414,525**	$379,852
Total comprehensive income allocated to NCI		
EDC and Subsidiaries	**$81,374**	$7,160

In 2014, 2013 and 2012, EDC declared and paid cash dividends to its non-controlling common stockholders amounting to $42.2 million (₱1,872.4 million), $35.6 million (₱1,506.3 million), and $31.6 million (₱1,329.3 million), respectively.

Following are the summarized financial information of EDC and Subsidiaries (amounts in thousands):

Consolidated Statements of Financial Position as of December 31, 2014 and 2013

	2014		2013	
	In USD	**In Php**	In USD	In Php
Current assets	**$560,527**	**₱25,066,785**	$548,268	₱24,340,366
Non-current assets	**2,223,450**	**99,432,680**	1,816,987	80,665,138
Total Assets	**$2,783,977**	**₱124,499,465**	$2,365,255	₱105,005,504
Current liabilities	**$408,112**	**₱18,250,763**	$200,651	₱8,907,923
Non-current liabilities	**1,400,461**	**62,628,616**	1,348,184	59,852,622
Total Liabilities	**1,808,573**	**80,879,379**	1,548,835	68,760,545
Total Equity	**975,404**	**43,620,086**	816,420	36,244,959
Total Liabilities and Equity	**$2,783,977**	**₱124,499,465**	$2,365,255	₱105,005,504

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2014, 2013 and 2012

	2014		2013		2012	
	In USD	**In Php**	In USD	In Php	In USD	In Php
Revenues from sale of electricity	**$695,970**	**₱30,867,200**	$607,956	₱25,656,270	$668,485	₱28,368,552
Costs of sale of electricity	**(255,107)**	**(11,314,332)**	(223,582)	(9,435,355)	(231,502)	(9,824,274)
General and administrative expenses	**(129,519)**	**(5,744,349)**	(102,656)	(4,332,188)	(110,820)	(4,702,876)
Financial income (expenses)	**(80,478)**	**(3,569,319)**	(73,232)	(3,090,452)	(78,681)	(3,339,007)
Other income (charges)	**63,164**	**2,801,399**	(63,606)	(2,684,222)	21,014	891,753
Income before income tax from continuing operations	**294,030**	**13,040,599**	144,880	6,114,053	268,496	11,394,148
Pprovision for income tax	**(27,566)**	**(1,222,590)**	(11,516)	(485,983)	(18,265)	(775,123)
Net income from continuing operations	**266,464**	**11,818,009**	133,364	5,628,070	250,231	10,619,025
Net income (loss) from discontinued operations	**–**	**–**	–	–	2,297	97,495
Net income	**266,464**	**11,818,009**	133,364	5,628,070	252,528	10,716,520
Other comprehensive loss	**(833)**	**(36,962)**	(3,429)	(144,724)	(12,398)	(526,119)
Total comprehensive income	**$265,631**	**₱11,781,047**	$129,935	₱5,483,346	$240,130	₱10,190,401

Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012

	2014		2013		2012	
	In USD	**In Php**	In USD	In Php	In USD	In Php
Operating activities	**$362,759**	**₱16,088,855**	$342,097	₱14,436,762	$394,127	₱16,725,585
Financing activities	**(460,223)**	**(20,411,518)**	(249,188)	(10,515,962)	(192,032)	(8,149,291)
Investing activities	**51,617**	**2,289,271**	16,185	683,020	(227,288)	(9,645,421)
Net increase (decrease) in cash and cash equivalents	**($45,847)**	**(₱2,033,392)**	$109,094	₱4,603,820	($25,193)	(₱1,069,127)

e. Cumulative Translation Adjustments

The details of cumulative translation adjustments as of December 31 are as follows:

	2014	2013
Net losses on cash flow hedge - net of tax (see Note 26)	**($4,230)**	($5,499)
Foreign exchange adjustments	**12,513**	(14,410)
	$8,283	($19,909)

The movements in the cumulative translation adjustments for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Balances at beginning of year	**($19,909)**	$62,920
Net gains on cash flow hedge - net of tax (see Note 26)	**1,269**	19,064
Foreign exchange adjustments	**26,923**	(101,893)
Balances at end of year	**$8,283**	($19,909)

18. Share-based Payment Plans

Executive Stock Option Plan (ESOP)

The Parent Company has an ESOP, which entitles the option grantees to acquire common stocks of the Parent Company, which stocks shall not at any grant date, exceed four percent (4%) of the total issued and outstanding common stocks of the Parent Company.

Options under the ESOP vest within a five-year period. Awards granted prior to the IPO were pegged at a fixed exercise price in accordance with the ESOP, subject to adjustments in certain cases. Any option granted after the IPO is subject to a purchase price determined at the option grant date based on the average closing price of the Parent Company's common stocks at the stock exchange for 20 market days prior to the grant, subject to a discount, but in no case shall the purchase price be less than the par value. The terms of the ESOP include, among others, a one-year holding period from the date of award of an option, a limit as to the number of stocks an executive may purchase and settle by payment in cash or check the full amount of the price of the stocks over which the option is exercised. The contractual life of options granted is ten (10) years, with no cash settlement alternative.

On July 1, 2003, a total of 452,285 common stocks of the Parent Company's unissued common stocks have been reserved for the grantees. By virtue of the common stock split and common stock dividends declared and approved by the Parent Company's BOD and stockholders on April 4, 2005, the number of options and price per share granted to all executives have been

adjusted automatically in accordance with the terms of the ESOP. Accordingly, (i) the number of common stocks reserved for the grantees has been adjusted from 452,285 common stocks to 18,091,400 common stocks; (ii) the total number of common stocks that have been awarded to be granted over a five-year period under the ESOP has been adjusted from 409,756 common stocks to 15,856,800 common stocks; and (iii) the exercise price of ₱528.00 per share has been reduced to ₱13.20 per share. The exercise price was further adjusted from ₱13.20 per share to ₱8.80 per share following the issuance of 50% stock dividends as approved by the Philippine SEC on August 27, 2009. The contractual life of the stock options has ended on July 1, 2013. There were no ESOP granted in 2014, 2013 and 2012. All ESOP previously granted had already vested. No further grants/awards have been made under the ESOP.

Movements in the number of stock options granted under ESOP are as follows:

	Number of Shares	
	2013	2012
Balances at beginning of year	616,907	1,189,627
Exercised during the year	(543,269)	(572,720)
Forfeited during the year	(73,638)	–
Balances at end of year	–	616,907
Exercisable at end of year	–	616,907

The weighted average stock prices at the dates of options exercise were ₱19.67 per share and ₱17.28 per share in 2013 and 2012, respectively.

Employee Stock Purchase Plan (ESPP)
The Parent Company has an ESPP, which entitles the eligible employees to acquire the common stocks of the Parent Company, provided that such stocks shall not at any grant date exceed one percent (1%) of the total issued and outstanding common stocks of the Parent Company. The stocks may be acquired under the ESPP at fair market price equal to the average of the closing price of the common stocks on the exchange for the 20 market days immediately preceding the grant date. A grantee under the ESPP shall have five years to complete payments on the common stocks acquired pursuant to the plan, with a right to prepay after two years. For the years ended December 31, 2014, 2013 and 2012, no award or sale of stocks under the ESPP has been granted to any employee.

19. 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 certain entities in the Lopez 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 [(see Note 27(m)]. Total rent expense included under "Others" in the "General and administrative expenses" account in the consolidated statements of income each amounted to $0.5 million in 2014 and 2013, and $0.4 million in 2012 (see Note 20).

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 12, 2009, the Parent Company and EDC agreed to adjust the monthly fee from $0.2 million (₱8.7 million, net of withholding taxes plus VAT) to $0.3 million (₱11.8 million, net of withholding taxes plus VAT) effective September 2009 to cover the cost of additional officers and staff assigned to EDC. 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.

   On January 30, 2013, the Parent Company and EDC agreed to extend the Consultancy Agreement for another period of 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. 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 December 31, 2014 and 2013, the outstanding balances of EDC's payables to First Balfour and Thermaprime totaled to $23.5 million and $5.2 million, respectively, recorded under "Accounts payable and accrued expenses" account in the consolidated financial statements (see Note 13).

   On January 29, 2014, EDC entered into a contract with 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 for $18.6 million and recognized gain on sale amounting to $3.7 million.

   First Balfour is a wholly owned subsidiary of FPH.

e. Intercompany Guarantees

   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.

   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 plant, and PMPC, which is the operating company of the 97 MW Avion 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.

In 2014, the Parent Company issued guarantees totaling to $6.4 million in favor of the Board of Investments (BOI), to guarantee the payment of customs duties waived in the event that FNPC and/or PMPC does not comply with the terms and conditions of their respective Certificates of Authority specifically on the installation and permanent use of imported capital equipment, spare parts and accessories that will be installed in the San Gabriel and Avion power plants. The guarantees shall remain in force until the BOI lifts the same upon compliance by FNPC and PMPC of its obligations under their respective Certificates of Authority.

On July 10, 2014, the Parent Company 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.

f. Compensation of key management personnel are as follows:

	2014	2013	2012
Other short-term employee benefits	**$22,918**	$18,246	$14,713
Retirement benefits (see Note 22)	**1,709**	1,676	1,082
Share-based payments of EDC	**176**	281	583
	$24,803	$20,203	$16,378

Terms and Conditions of Transactions with Related Parties. As mentioned above, except for the $80.0 million letters of credit issued by EDC in favor of EDC Chile Limitada, and the Parent Company guarantees issued to FNPC and PMPC in relation to the on-going construction of San Gabriel and Avion power plants, respectively, there have been no other guarantees provided for or received from any other related party in 2014 and 2013. The outstanding balances at the end of each year are unsecured and interest-free and settlement occurs in cash.

Details of amounts due from related parties (included in the Receivables account), due to related parties and consultancy fee receivables are as follows:

			Transactions for the Years ended December 31		Net Amounts due from/to related parties as of December 31	
Related Party	Nature of Transactions	Terms	**2014**	2013	**2014**	2013
Due from related parties (see Note 7)						
FPIC	Interest-free advances	Unsecured & payable by demand	**($5)**	($64)	**$772**	$777
Lopez Inc. Retirement Fund (LIRF)	Interest-free advances	- do -	**(300)**	77	**151**	451
FGNEC	Interest-free advances	- do -	**(16)**	(10)	**184**	200
Quialex Realty Corporation (QRC)	Interest-free advances	- do -	**32**	26	**217**	185
Others	Interest-free advances	- do -	**(30)**	138	**1,197**	1,227
			($319)	$167	**$2,521**	$2,840
Due to related parties						
FGHC International Ltd.	Interest-free advances	Unsecured & payable by demand	**$–**	$–	**$145**	$145
LHC	Donation to Lopez Museum	- do -	**(112)**	114	**1**	113
			($112)	$114	**$146**	$258

No impairment loss was recognized on the amounts due from related parties for the years ended December 31, 2014, 2013 and 2012. This assessment is undertaken each financial year through review of the financial position of each of the related parties and the market in which the related party operates.

Due from/to related parties - Others are advances to/from FPH, LHC and FPH Capital Resources, Inc. (FCRI). LHC is the intermediate parent company of First Gen through FPH. FCRI is a subsidiary of FPH.

20. Costs and Expenses

Costs of Sale of Electricity

	2014	2013	2012
Fuel cost	**$856,796**	$969,778	$1,043,913
Power plant operations and maintenance	**167,899**	151,520	151,862
Depreciation and amortization (Notes 10 and 11)	**153,233**	149,296	148,046
Others	**34,623**	30,721	30,820
	$1,212,551	$1,301,315	$1,374,641

General and Administrative Expenses

	2014	2013	2012
Staff costs	**$67,759**	$52,545	$54,038
Professional fees	**56,219**	45,146	36,782
Insurance, taxes and licenses	**45,664**	34,683	48,896
Depreciation and amortization (Notes 10 and 11)	**10,677**	9,887	9,506
Parts and supplies issued (Note 8)	**5,166**	3,720	3,631
Repairs and maintenance	**5,485**	3,174	1,418
Provision for (reversal of) impairment of parts and supplies inventories (Notes 8 and 10)	**(571)**	2,915	(1,968)
Provision for doubtful accounts - net of recovery (Notes 7 and 12)	**1,344**	1,421	5,518
Others (Note 19)	**18,449**	15,725	17,762
	$210,192	$169,216	$175,583

21. Financial Income (Expense)

Interest Income

	2014	2013	2012
Cash and cash equivalents (see Note 6)	**$5,899**	$8,892	$10,816
Advances to a non-controlling shareholder (see Note 2)	**–**	–	2,886
Others	**580**	241	148
	$6,479	$9,133	$13,850

Interest Expense and Financing Charges

	2014	2013	2012
Interest on:			
Loans and bonds	**$145,623**	$127,927	$147,507
Swap fees	**13,236**	14,899	14,844
Liability from litigation	**176**	185	203
Accretion on:			
Debt issuance costs (see Note 15)	**7,426**	5,685	9,728
Asset retirement obligation (see Note 16)	**1,026**	669	743
"Day 1" gain	**–**	–	258
Pre-termination of loans and bonds	**–**	–	453
	$167,487	$149,365	$173,736

22. Retirement Benefits

The following tables summarize the funded status and amounts recognized in the consolidated statements of financial position for the retirement plans and the components of net retirement benefit expense recognized as part of "Staff costs" in the "General and administrative expenses" account in the consolidated statements of income.

The net retirement assets (liabilities) are presented in the consolidated statements of financial position as follows:

	2014	2013
Net retirement assets (see Note 12)	**$4,310**	$–
Net retirement and other post-employment benefits liabilities	**(40,409)**	(40,469)

Net retirement assets are included in the "Other noncurrent assets" account (see Note 12) while the net retirement and other post-employment benefits liabilities are presented in the "Noncurrent liabilities" portion of the consolidated statements of financial position.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The amounts recognized in the consolidated statements of financial position are as follows:

December 31, 2014

	First Gen	**FGPC**	**FGP**	**FGHC**	**EDC & Subsidiaries**	**Others**	**Total**
Present value of defined benefit obligation	**$6,135**	**$6,328**	**$4,840**	**$2,316**	**$94,329**	**$248**	**$114,196**
Fair value of plan assets	**(7,320)**	**(6,752)**	**(7,425)**	**(2,432)**	**(54,168)**	**–**	**(78,097)**
Net retirement liabilities (assets)	**($1,185)**	**($424)**	**($2,585)**	**($116)**	**$40,161**	**$248**	**$36,099**

December 31, 2013

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Present value of defined benefit obligation	$6,180	$6,115	$5,560	$2,452	$85,987	$239	$106,533
Fair value of plan assets	(5,887)	(4,234)	(5,489)	(1,827)	(48,627)	–	(66,064)
Net retirement liabilities	$293	$1,881	$71	$625	$37,360	$239	$40,469

The amounts recognized in the consolidated statements of income are as follows:

December 31, 2014

	First Gen	**FGPC**	**FGP**	**FGHC**	**EDC & Subsidiaries**	**Others**	**Total**
Current service cost	**$1,059**	**$628**	**$608**	**$155**	**$5,387**	**$51**	**$7,888**
Net interest	**(8)**	**55**	**3**	**25**	**1,628**	**14**	**1,717**
Retirement benefits expense	**$1,051**	**$683**	**$611**	**$180**	**$7,015**	**$65**	**$9,605**

December 31, 2013

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Current service cost	$1,242	$620	$582	$169	$5,124	$36	$7,773
Net interest	(28)	(10)	(46)	17	1,705	12	1,650
Retirement benefits expense	$1,214	$610	$536	$186	$6,829	$48	$9,423

December 31, 2012

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Current service cost	$680	$453	$355	$122	$5,311	$41	$6,962
Net interest	(93)	(7)	(68)	14	2,357	7	2,210
Settlement gain	–	–	–	–	(17,742)	–	(17,742)
Retirement benefits expense (income)	$587	$446	$287	$136	($10,074)	$48	($8,570)

Movements in the present value of the defined benefit obligation are as follows:

December 31, 2014

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Balances at beginning of year	**$6,180**	**$6,115**	**$5,560**	**$2,452**	**$85,987**	**$239**	**$106,533**
Current service cost	**1,059**	**628**	**608**	**155**	**5,387**	**51**	**7,888**
Interest cost	**271**	**249**	**247**	**99**	**3,740**	**14**	**4,620**
Benefits paid	**–**	**–**	**(4)**	**–**	**(3,515)**	**–**	**(3,519)**
Actuarial losses (gains) due to:							
Experience adjustments	**(73)**	**400**	**(329)**	**(58)**	**3,113**	**(25)**	**3,028**
Changes in financial assumptions	**(1,257)**	**(1,017)**	**(1,207)**	**(315)**	**317**	**(29)**	**(3,508)**
Foreign exchange adjustments	**(45)**	**(47)**	**(35)**	**(17)**	**(700)**	**(2)**	**(846)**
Balances at end of year	**$6,135**	**$6,328**	**$4,840**	**$2,316**	**$94,329**	**$248**	**$114,196**

December 31, 2013

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Balances at beginning of year	$6,287	$6,368	$5,548	$2,563	$79,935	$195	$100,896
Current service cost	1,242	620	582	169	5,124	36	7,773
Interest cost	320	325	288	123	3,890	12	4,958
Benefits paid	–	–	–	–	(470)	–	(470)
Actuarial losses (gains) due to:							
Experience adjustments	(474)	(63)	247	(41)	7,243	4	6,916
Changes in demographic assumptions	–	–	–	–	161	–	161
Changes in financial assumptions	(702)	(643)	(665)	(165)	(3,245)	10	(5,410)
Foreign exchange adjustments	(493)	(492)	(440)	(197)	(6,651)	(18)	(8,291)
Balances at end of year	$6,180	$6,115	$5,560	$2,452	$85,987	$239	$106,533

Movements in the fair value of plan assets are as follows:

December 31, 2014

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Balances at beginning of year	**$5,887**	**$4,234**	**$5,489**	**$1,827**	**$48,627**	**$–**	**$66,064**
Interest income	**279**	**194**	**244**	**74**	**2,112**	**–**	**2,903**
Return on plan assets, excluding interest income	**1,209**	**2,376**	**1,752**	**549**	**2,658**	**–**	**8,544**
Contributions paid	**–**	**–**	**–**	**–**	**4,666**	**–**	**4,666**
Benefits paid	**–**	**–**	**(4)**	**–**	**(3,493)**		**(3,497)**
Foreign exchange adjustments	**(55)**	**(52)**	**(56)**	**(18)**	**(402)**	**–**	**(583)**
Balances at end of year	**$7,320**	**$6,752**	**$7,425**	**$2,432**	**$54,168**	**$–**	**$78,097**
Actual return on plan assets	**$1,488**	**$2,570**	**$1,996**	**$623**	**$4,770**	**$–**	**$11,447**

December 31, 2013

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Balances at beginning of year	$6,371	$6,565	$6,433	$2,204	$44,924	$–	$66,497
Interest income	348	335	335	106	2,185	–	3,309
Return on plan assets, excluding interest income	(352)	(2,267)	(818)	(328)	910	–	(2,855)
Contributions paid	–	–	–	–	4,795	–	4,795
Benefits paid	–	–	–	–	(434)	–	(434)
Foreign exchange adjustments	(480)	(399)	(461)	(155)	(3,753)	–	(5,248)
Balances at end of year	$5,887	$4,234	$5,489	$1,827	$48,627	$–	$66,064
Actual return on plan assets	($4)	($1,932)	($484)	($222)	$3,096	$–	$454

The First Gen Group expects to contribute $6.1 million to its defined benefit retirement plan in 2015.

Retirement plans
The retirement funds of the Parent Company, FGHC and FGP are maintained and managed by BDO Trust while the retirement fund of FGPC is maintained and managed by the BPI Asset Management. In addition, EDC's retirement fund is maintained by BPI Asset Management and BDO Trust, while GCGI's and BGI's retirement funds are maintained by BDO Trust. These trustee banks are also responsible for investment of the plan assets. The investing decisions of the Plan are made by the respective retirement committees of the said companies.

The plan assets' carrying amount approximates its fair value since these are either short-term in nature or marked-to-market.

The plans' assets and investments by each class as of December 31, 2014 and 2013 are as follows:

	2014	2013
Investments quoted in active market		
Quoted equity investments		
Industrial - electricity, energy, power and water	**$18,098**	$13,073
Holding firms	**5,869**	5,954
Financials – banks	**5,260**	3,477
Property	**1,650**	2,008
Industrial - food, beverage, and tobacco	**1,593**	1,144
Services - telecommunications	**459**	854
Services - casinos and gaming	**401**	77
Transportation services	**379**	641
Industrial - construction, infrastructure allied services	**317**	345
Retail	**180**	380
Golf Country Club	**71**	–
Mining	**32**	–
	34,309	27,953
Investments in debt instruments		
Government securities	**12,883**	10,283
Investments in corporate bonds	**14,777**	14,669
	27,660	24,952
Investment in mutual funds	**390**	203
	28,050	25,155
Unquoted investments		
Cash and cash equivalents	**15,078**	12,141
Receivables and other assets	**691**	839
Liabilities	**(31)**	(24)
	15,738	12,956
Fair value of plan assets	**$78,097**	$66,064

- Cash and cash equivalents, which includes regular savings and time deposits;

- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, which bear interest ranging from 4.62% to 5.80% and have maturities from 2015 to 2023;

- Investments in government securities, consisting of retail treasury bonds that bear interest ranging from 2.76% to 11.70% and have maturities from 2015 to 2037; and

- Investment in equity securities consist of investments in the following securities:

	Relationship	**2014**	2013
LHC	Intermediate parent company	**$1,789**	$1,802
FPH:	Parent company		
Voting common shares		**2,811**	1,526
First Gen:	Reporting entity		
Voting common shares		**3,023**	3,316
Non-voting preferred shares		**6,926**	6,977
ABS-CBN Holdings Corporation (ABS-CBN)	Affiliate	**192**	253
		$14,741	$13,874

The carrying amounts of investments in equity securities also approximate their fair values since they are carried at mark-to-market.

For the year ended December 31, 2014, unrealized gains arising from investments in FPH, First Gen and ABS-CBN, amounted to $0.7 million, $2.4 million, and $0.03 million, respectively while unrealized loss arising from investment in LHC amounted to $0.4 million.

For the year ended December 31, 2013, unrealized loss arising from investments in LHC, FPH, First Gen, and ABS-CBN amounted to $1.7 million, $0.7 million, $0.4 million and $0.1 million, respectively.

The details of the realized gains for the year ended December 31, 2014 are as follows:

Type of security:	First Gen	FGPC	FGP	FGHC
Investment in shares of stock	$119	$105	$212	$131
Investment in government securities	104	(6)	103	25
Investment in corporate debt instruments	13	1	16	10
	$236	$100	$331	$166

The voting rights over these equity securities are exercised by the trustee banks.

- Other financial assets held by these plans are primarily accrued interest income on cash deposits and debt securities held by the plans; and dividend receivable from equity securities.

- Liabilities of the plans pertain to trust fee payable and retirement benefits payable.

The principal actuarial assumptions used in determining retirement benefit obligations for First Gen Group as of January 1, 2014 and 2013 are as follows:

	2014	2013
Discount rate	**4.16% - 4.67%**	4.01% - 6.21%
Future salary increase rate	**5% - 10%**	5% - 12%
Medical costs trend rate	**7%**	7%



The sensitivity analysis below was determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2014, assuming all other assumptions were held constant:

		2014
	Increase/Decrease in Percentage Point	Effect on Present Value of Defined Benefit Obligation
Discount rate	+1%	($11,090)
	-1%	12,889
Future salary increases	+1%	14,403
	-1%	(8,796)
Medical costs trend	+1%	107
	-1%	(93)

For EDC, the estimated weighted average duration of benefit payment is 14 to 17 years in 2014, while the estimated weighted average duration of benefit payment for the Parent Company, FGHC, FGP, FGPC and others is 17 to 27 years in 2014.

Following are the information about the maturity profile of the defined benefit obligations as of December 31, 2014 (amounts in thousands):

	2014
Within the next 12 months	$3,554
Between 2 and 5 years	34,880
Between 5 and 10 years	67,301
Between 10 and 15 years	100,852
Beyond 15 years and 20 years	81,961
More than 20 years	24,971

23. **Income Tax**

a. The deferred income tax assets (liabilities) of First Gen Group are presented in the consolidated statements of financial position as follows:

	2014	2013
Deferred income tax assets	**$27,874**	$34,791
Deferred income tax liabilities	**(20,381)**	(22,946)

The components of these deferred income tax assets (liabilities) as of December 31, 2014 and 2013 are as follows:

	2014	2013
Deferred income tax items recognized in the consolidated statements of income:		
Deferred income tax assets on:		
Impairment loss on property, plant and equipment	**$14,726**	$19,532
Unrealized foreign exchange losses - BOT power plants	**15,716**	18,204
Revenue generated during testing period of BGI power plant	**3,440**	3,455
Asset retirement obligations	**1,975**	1,811
Allowance for doubtful accounts	**1,003**	1,152
EDC Calamity losses	**34**	923
Provision for impairment of parts and supplies inventories	**585**	754
Excess amortization of debt issuance costs under effective interest method over straight-line method	**715**	646
NOLCO	**434**	70
Others	**3,809**	4,610
	42,437	51,157
Deferred income tax liabilities on:		
Difference in fair value versus cost of property, plant and equipment of EDC	**(16,114)**	(16,632)
Difference between the carrying amounts of nonmonetary assets and their related tax bases	**(12,462)**	(12,682)
Difference between fair value & book value resulting from Business Combination	**(7,524)**	(8,689)
Unrealized foreign exchange gains	**(3,661)**	(6,997)
Prepaid major spare parts	**(1,673)**	(1,936)
Capitalized asset retirement obligations	**(1,050)**	(1,065)
Capitalized costs and losses during commissioning period of the power plants	**(475)**	(498)
Difference in fair value versus cost of parts and supplies inventories	**(348)**	(368)
	(43,307)	(48,867)
Deferred income tax items recognized directly in other comprehensive income:		
Deferred income tax asset on derivative liabilities (see Note 26)	**8,281**	9,555
Others	**82**	–
	8,363	9,555
	$7,493	$11,845

Goldsilk's deferred income tax liabilities amounting to $3.8 million was included upon consolidation of Bluespark and its subsidiaries on May 31, 2012.

Portion of deferred income tax charged to income amounting to $1.0 million in 2012 pertains to discontinued operations (see Note 4).

b. Certain deferred income tax assets of the Parent Company and certain subsidiaries have not been recognized since management believes that it is not probable that sufficient future taxable income for these entities will be available against which they can be utilized. The deductible temporary differences of certain items in the consolidated statement of financial position and carryforward benefits of NOLCO and MCIT of the Parent Company and certain subsidiaries for which no deferred income tax assets have been recognized consist of the following:

	2014	2013
NOLCO	**$143,879**	$138,972
MCIT	**990**	993
Accrual for retirement benefits	**124**	644
Others	**1,103**	1,064

As of December 31, 2014 and 2013, the taxable temporary differences representing the excess of the carrying amount of the investments in subsidiaries over the tax base amounted to $79.6 million and $64.7 million, respectively. There is no corresponding deferred income tax liability recognized since these temporary differences pertain to investment in domestic companies and, accordingly, the reversals of these temporary differences are through regular dividend distribution not subject to income tax.

c. Provision for current income tax in 2014, 2013 and 2012 includes the RCIT of FG Bukidnon, FGP and FGPC. In 2014, FGPC & FGP computed its current income tax using Optional Standard Deduction (OSD) method. In 2013, FGPC computed its current income tax using OSD method. In 2012, FGP and FGPC computed their current income tax using OSD method, from which the availed tax benefits amounted to $5.3 million.

d. The balance of NOLCO as of December 31, 2014 may be used by the Parent Company and certain subsidiaries as additional deductions against their respective future taxable income. Similarly, the MCIT balance as of December 31, 2014 may be applied as credit against future income tax liabilities of the Parent Company and certain subsidiaries.

The balances of NOLCO and MCIT, with their corresponding years of expiration, are as follows:

Incurred for the Year Ended December 31	Available Until December 31	NOLCO		MCIT	
		(In U.S Dollar)	*(In Philippine Peso)*	*(In U.S. Dollar)*	*(In Philippine Peso)*
2012	2015	**$75,191**	**₱3,362,510**	$290	₱12,965
2013	2016	**18,538**	**829,033**	635	28,405
2014	2017	**51,596**	**2,307,374**	65	2,916
		$145,325	**₱6,498,917**	$990	₱44,286

e. A reconciliation between the statutory income tax rate and effective income tax rate follows:

	2014	2013	2012
Statutory income tax rate	**30.00%**	30.00%	30.00%
Income tax effect of:			
Foregone itemized deduction before reconciling items	**7.35**	8.92	7.39
Unrealized foreign exchange gains (losses)	**0.13**	4.57	(1.92)
Effect of RE Law & change in tax rate	**–**	4.13	(4.87)
Unrecognized deferred tax asset on provision for impairment loss	**–**	1.78	–
Optional standard deduction	**(9.02)**	(9.74)	(9.06)
ITH incentives	**(1.98)**	(4.73)	(6.62)
Movement of temporary differences reversing during ITH	**(0.03)**	(0.44)	0.18
Others	**(6.75)**	(7.57)	0.77
Effective income tax rate	**19.70%**	26.92%	15.87%

f. The BIR issued Revenue Regulation (RR) No. 16-2008 which implemented the provisions of Republic Act 9504, or R.A. 9504 on OSD. This regulation allowed both individual and corporate tax payers to use OSD in computing their taxable income. For corporations, they may elect a standard deduction in an amount equivalent to 40% of gross income, as provided by law, in lieu of the itemized allowed deductions. The provisions of R.A. No. 9504 and RR No. 16-2008 became effective on July 1, 2008.

g. Registrations with the Board of Investments (BOI)

FG Hydro is registered with the BOI under the Omnibus Investments Code of 1987 as the new operator of the 112 MW PAHEP/MAHEP on a pioneer status. As a registered enterprise, FG Hydro is entitled to certain tax and non-tax incentives which include, among others, ITH for six years commencing on April 13, 2007. On October 2, 2012, the BOI approved FG Hydro's application for an ITH extension by granting it another year or until April 12, 2014. Consistent with the Corporate Social Responsibility (CSR) objectives of the BOI, FG Hydro is actively involved in various CSR Projects in the areas of Livelihood and Institutional Economic Support, Environment, Education, Health, Information Education and Communication, and Socio-Cultural Support.

On June 29, 2011, the BOI approved the ITH registration of the 86 MW Burgos Wind Farm under the Renewable Energy Act of 2008 (RA 9513), or the RE Law. On June 3, 2014, EBWPC received a legal service letter from BOI granting the upward amendment of registered capacity of the Burgos Wind Farm from 86 MW to 150 MW effective for a 7-year period beginning in December 2015 or date of commissioning, whichever is earlier.

On February 14, 2013, BGI was granted with an ITH incentive by the BOI covering its 130 MW BMGPP complex. Subject to certain conditions, BGI is entitled to ITH for seven years from July 2013 or date of commissioning of the power plants, whichever is earlier. BGI does not recognize deferred tax assets and deferred tax liabilities on temporary differences that are expected to reverse during ITH period.

On November 22, 2013, FNPC received its Certificate of Registration with the BOI under the Omnibus Investments Code of 1987 as the new operator of a 450 MW Combined Cycle Natural Gas Power Plant (the "San Gabriel" power plant). Subject to certain conditions, FNPC is entitled to certain tax and non-tax incentives, which include, among others, ITH for four years from April 2016 or actual start of commercial operations, whichever is earlier. The ITH shall be limited only to the revenues generated from the sales of electricity of the San Gabriel power plant. As of March 12, 2015, the construction of the San Gabriel power plant is still on-going.

On February 12, 2014, the BOI approved the ITH registration of the Nasulo Power Plant under the RE Law effective for a 7-year period beginning in January 2016 or date of commissioning, whichever is earlier. While the Nasulo power plant has a capacity of 49.4 MW, the ITH shall be limited only to the revenues derived from the sale of 30 MW.

On March 19, 2014, PMPC received its Certificate of Registration with the BOI under the Omnibus Investment Code of 1987 as a new operator of 115 MW San Gabriel Avion Natural Gas - Fired Power Plant (the Avion power plant). Subject to specific terms and conditions PMPC is entitled to certain tax and non-tax incentives, which include among others, ITH for four years from November 2014 or actual start of commercial operations, whichever come earlier. The ITH shall be limited only to revenues generated from sale of electricity of the 115 MW Avion power plant. As of March 12, 2015, the construction of the Avion power plant is still on-going.

24. **Earnings Per Share Calculations**

		2014	2013	2012
(a)	Net income attributable to equity holders of the Parent Company	**$193,155**	$118,077	$189,834
	Less dividends on preferred stocks	**(19,666)**	(20,778)	(21,649)
(b)	Net income available to common stocks	**173,489**	97,299	168,185
	Add interest expense and accretion on debt issuance costs on CBs	–	544	5,877
(c)	Net income available to common stocks adjusted for the effect of conversion of stock options and CBs	**$173,489**	$97,843	$174,062
(d)	Weighted average number of common stocks for basic earnings per share	**3,319,209,765**	3,344,124,939	3,350,715,792
	Effect of conversion of:			
	Stock options	–	–	302,817
	CBs	–	7,149,684	91,691,568
(e)	Weighted average number of common stocks for diluted earnings per share	**3,319,209,765**	3,351,274,623	3,442,710,177
	Basic/Diluted Earnings Per Share (b/d)	**$0.052**	$0.029	$0.050

In 2013 and 2012, the conversion of the CBs has an anti-dilutive effect, while the conversion of stock options did not have any significant impact on the diluted earnings per share calculation; thus, the diluted earnings per share is the same as the basic earnings per share.

25. Financial Risk Management Objectives and Policies

First Gen Group's principal financial liabilities are comprised of 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. First Gen Group's accounting policies in relation to derivative financial instruments are set out in Note 2 to the consolidated financial statements.

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 24.3% 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 December 31, 2014 and 2013, approximately 65.6% 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 nominal amount, by maturity, of First Gen Group's financial instruments that are exposed to interest rate risk (amounts in millions):

	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%**	**$16.84**	**$41.03**	**$88.33**	**$93.88**	**$240.08**
Uncovered Facility*	**7.56% – 7.96%**	**24.81**	**39.79**	**–**	**–**	**64.60**
Term Loan Facility*	**1.28% – 1.43%**	**6.32**	**16.55**	**20.44**	**50.12**	**93.43**
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%**	**190.07**	**–**	**–**	**–**	**190.07**
Series 2	**9.33%**	**–**	**78.26**	**–**	**–**	**78.26**
IFC 1	**7.40%**	**7.65**	**15.29**	**15.29**	**26.69**	**64.92**
IFC 2	**6.66%**	**5.62**	**11.23**	**11.23**	**33.63**	**61.71**
FXCN						
₱3.0 billion	**6.62%**	**0.67**	**1.34**	**1.34**	**62.05**	**65.40**
₱4.0 billion	**6.61%**	**0.89**	**1.79**	**1.79**	**82.74**	**87.21**
FXR Bonds						
₱3.0 billion	**4.16%**	**–**	**–**	**–**	**67.08**	**67.08**
₱4.0 billion	**4.73%**	**–**	**–**	**–**	**89.45**	**89.45**
FNPC Term Facility	**3.37%**	**–**	**11.85**	**15.79**	**67.13**	**94.77**
Floating Rate						
Long-term debts:						
Uncovered Facility	**4.07%**	**8.27**	**13.26**	**–**	**–**	**21.53**
Term Loan Facility	**2.66%**	**19.67**	**51.45**	**63.56**	**155.88**	**290.56**
Staple Financing	**4.35%**	**29.07**	**84.42**	**–**	**–**	**113.49**
PNB and Allied Bank Loan	**5.00%**	**8.55**	**18.06**	**19.96**	**33.26**	**79.83**
US$80M Term loan	**2.05%**	**–**	**4.00**	**72.80**	**–**	**76.80**
US$175M Refinanced Syndicated Term loan	**2.01%**	**17.50**	**105.00**	**–**	**–**	**122.50**
EBWPC Loans						
$35.5M Commercial Debt Facility	**2.34%**	**0.71**	**3.02**	**3.90**	**27.87**	**35.50**
$139.0M ECA Debt Facility	**2.69%**	**2.78**	**11.82**	**15.29**	**109.12**	**139.01**
₱5.17 B Commercial Debt Facility	**6.13% – 6.33%**	**2.31**	**9.83**	**12.72**	**90.75**	**115.61**

**Including effect of interest rate swap*

	2013					
	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
FXR Bonds						
₱3.0 billion	4.16%	–	–	–	67.58	67.58
₱4.0 billion	4.73%	–	–	–	90.10	90.10
Floating Rate						
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 years ended December 31, 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
December 31, 2014			
U.S. Dollar	**+100**	**($8.23 million)**	**$6.88 million**
	-100	**8.23 million**	**(13.23 million)**
Philippine Peso	**+100**	**(1.34 million)**	**–**
	-100	**1.34 million**	**–**
December 31, 2013			
U.S. Dollar	+100	($4.02 million)	($2.71 million)
	-100	4.02 million	(5.99 million)
Philippine Peso	+100	(3.47 million)	–
	-100	3.47 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 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.

In the case of 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 December 31, 2014 and 2013 that may affect the consolidated financial statements of First Gen Group (amounts in millions):

	2014							
	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**	**Singapore Dollar denominated Balance**	**Equivalent U.S. Dollar Balances[1]**
Financial Assets								
Loans and receivables:								
Cash and cash equivalents	**₱13,755.5**	**€–**	**¥–**	**CHL₱151.1**	**NZ$–**	**SEK–**	**SG$–**	**$307.6**
Receivables	**7,604.9**	**–**	**–**	**–**	**–**	**–**	**–**	**170.1**
Long-term receivables	**34.1**	**–**	**–**	**–**	**–**	**–**	**–**	**0.7**
	21,394.5	**–**	**–**	**151.1**	**–**	**–**	**–**	**478.4**
AFS financial assets	**201.6**	**–**	**–**	**–**	**–**	**–**	**–**	**4.5**
Financial asssets at FVPL	**523.6**	**–**	**–**	**–**	**–**	**–**	**–**	**11.7**
Total financial assets	**22,119.7**	**–**	**–**	**151.1**	**–**	**–**	**–**	**494.6**
Financial Liabilities								
Liabilities at amortized cost:								
Accounts payable and accrued expenses	**7,522.5**	**6.4**	**117.5**	**–**	**0.3**	**1.6**	**0.1**	**177.6**
Due to related parties	**6.60**	**–**	**–**	**–**	**–**	**–**	**–**	**0.1**
Dividends payable	**896.9**	**–**	**–**	**–**	**–**	**–**	**–**	**20.1**
Long-term debts	**44,914.6**	**–**	**–**	**–**	**–**	**–**	**–**	**1,004.3**
Total financial liabilities	**53,340.6**	**6.4**	**117.5**	**–**	**0.3**	**1.6**	**0.1**	**1,202.1**
Net financial liabilities (assets)	**₱31,220.9**	**€6.4**	**¥117.5**	**(CHL₱151.1)**	**NZ$0.3**	**SEK1.6**	**SG$0.1**	**$707.5**

[1] US$1=₱44.720, US$1=€0.807, US$1=¥120.395, , US$1=CHL₱605.658, US$1= SEK7.865, US$1 = NZD1.292 and US$1 = SG$1.327as of December 31, 2014.

	2013							
	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	€–	¥–	CHL₱96.0	NZ$–	SEK–	£–	$374.1
Receivables	4,826.0	–	–	–	–	–	–	108.7
Long-term receivables	15.5	–	–	–	–	–	–	0.3
	21,450.7	–	–	96.0	–	–	–	483.1
AFS financial assets	347.8	–	–	–	–	–	–	7.8
Total financial assets	21,798.5	–	–	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)	₱27,557.5	€6.5	¥13.8	(CHL₱96.0)	NZ$0.6	SEK1.3	£0.1	$630.8

[1] US$1=₱44.395, US$1=€0.73, US$1=¥104.73, US$1=CHL₱3.75, 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 years ended December 31, 2014 and 2013, the impact of the range of reasonably possible movement in the U.S. dollar, European Euro, Japanese Yen, Great Britain Pound, Sweden Kroner, Chilean Peso, New Zealand Dollars and Philippine Peso exchange rates with all other variables held constant, to First Gen Group's income before income tax and equity (due to changes in the revaluation of monetary assets and liabilities):

	2014		
	Foreign Currency Appreciates (Depreciates) By	**Increase (Decrease) on Income Before Income Tax**	**Increase (Decrease) on Equity**
		(Amounts in Millions)	
Philippine Peso	**4%**	**$0.05**	**($26.86)**
	(4%)	**(0.05)**	**29.10**
European Euro	**1%**	**(0.08)**	**0.07**
	(1%)	**0.08**	**(0.07)**
Japanese Yen	**10%**	**(0.09)**	**–**
	(10%)	**0.11**	**–**
Chilean Peso	**10%**	**(0.02)**	**–**
	(10%)	**0.03**	**–**
Sweden Kroner	**10%**	**(0.02)**	**–**
	(10%)	**0.02**	**–**
Singapore Dollar	**10%**	**(0.01)**	**–**
	(10%)	**0.01**	**–**
New Zealand Dollar	**10%**	**(0.02)**	**–**
	(10%)	**0.02**	**–**

	2013		
	Foreign Currency Appreciates (Depreciates) By	Increase (Decrease) on Income Before Income Tax	Increase (Decrease) on Equity
		(Amounts in Millions)	
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 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 December 31, 2014 and 2013.

	2014	2013
Financial assets accounted for as cash flow hedge		
Derivative assets	**$5,006**	$4,317
Financial assets at FVPL		
Designated as at FVPL	**11,708**	–
Derivative assets	**–**	170
Total financial assets at FVPL	**11,708**	170
Loans and receivables		
Cash and cash equivalents*	**670,739**	869,578
Receivables:		
Trade	**369,876**	321,077
Due from related parties	**2,521**	2,840
Others	**14,588**	10,930
Long-term receivables	**763**	349
Special deposits and funds	**2,446**	4,009
Other current assets	**322**	218
Total loans and receivables	**1,061,255**	1,209,001
AFS financial assets		
Debt securities	**5,811**	14,284
Equity securities	**591**	502
Proprietary club membership shares	**1,014**	744
Total AFS financial assets	**7,416**	15,530
	$1,085,385	$1,229,018

**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 December 31, 2014 and 2013:

	2014						
		Past Due but Not Impaired					
	Neither Past Due nor Impaired	Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Past Due and Impaired	Total
Loans and receivables:							
Cash and cash equivalents	**$670,739**	**$–**	**$–**	**$–**	**$–**	**$–**	**$670,739**
Trade receivables	**278,201**	**29,837**	**60,085**	**1,753**	–	**2,038**	**371,914**
Due from related parties	**2,521**	–	–	–	–	–	**2,521**
Other receivables	**13,484**	**739**	**333**	**32**	–	–	**14,588**
Long-term receivables	**763**	–	–	–	–	**1,782**	**2,545**
Special deposits and funds	**2,446**	–	–	–	–	–	**2,446**
Other current assets	**322**	–	–	–	–	–	**322**
AFS financial assets:							
Debt securities	**5,811**	–	–	–	–	–	**5,811**
Equity securities	**591**	–	–	–	–	–	**591**
Proprietary club membership shares	**1,014**	–	–	–	–	–	**1,014**
Financial assets at FVPL - Designated as at FVPL	**11,708**	–	–	–	–	–	**11,708**
Financial assets accounted for as cash flow hedge - Derivative assets	**5,006**	–	–	–	–	–	**5,006**
Total	**$992,606**	**$30,576**	**$60,418**	**$1,785**	**$–**	**$3,820**	**$1,089,205**

	2013						
		Past Due but Not Impaired					
	Neither Past Due nor Impaired	Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Past Due and Impaired	Total
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	349	–	–	–	–	1,655	2,004
Special deposits and funds	4,009	–	–	–	–	–	4,009
Other current assets	218	–	–	–	–	–	218
AFS financial assets:							
Debt securities	14,284	–	–	–	–	–	14,284
Equity securities	502	–	–	–	–	–	502
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	$1,226,699	$384	$1,934	$1	$–	$3,708	$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.

As of December 31, 2014 and 2013, substantially all financial assets 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 December 31, 2014 and 2013:

	2014	2013
Trade receivables from Meralco	**$181,152**	$247,026
Trade receivables from NPC	**83,615**	41,813
Total credit concentration risk	**$264,767**	$288,839
Total receivables	**$386,985**	$334,847
Credit concentration percentage	**68.4%**	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 December 31, 2014 and 2013, 19.1% 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 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 December 31, 2014 and 2013 based on the contractual undiscounted payments:

	2014					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 1Year up to 5 Years**	**Over 5 Years**	**Total**
Financial Assets:						
Cash and cash equivalents	**$673,893**	**$–**	**$–**	**$–**	**$–**	**$673,893**
Trade receivables	**–**	**308,038**	**60,085**	**1,753**	**–**	**369,876**
Total loans and receivables	**673,893**	**308,038**	**60,085**	**1,753**	**–**	**1,043,769**
Derivative contract receipts	**–**	**–**	**380**	**4,741**	**541**	**5,662**
Derivative contract payments	**–**	**–**	**(1,300)**	**(4,074)**	**(356)**	**(5,730)**
Total financial assets accounted for as cash flow hedge	**–**	**–**	**(920)**	**667**	**185**	**(68)**
AFS financial assets:						
Debt securities	**5,811**	**–**	**–**	**–**	**–**	**5,811**
Total financial assets	**$679,704**	**$308,038**	**$59,165**	**$2,420**	**$185**	**$1,049,512**
Financial liabilities:						
Accounts payable and accrued expenses*	**$32,681**	**$224,814**	**$–**	**$–**	**$–**	**$257,495**
Due to related parties	**146**	**–**	**–**	**–**	**–**	**146**
Dividends payable	**–**	**20,056**	**–**	**–**	**–**	**20,056**
Long-term debts	**–**	**21,031**	**463,810**	**1,372,241**	**1,885,095**	**3,742,177**
Total liabilities carried at amortized cost	**32,827**	**265,901**	**463,810**	**1,372,241**	**1,885,095**	**4,019,874**
Derivative contract receipts	**–**	**(9,746)**	**(1,134)**	**(12,164)**	**(1,935)**	**(24,979)**
Derivative contract payments	**–**	**10,091**	**12,841**	**34,097**	**3,915**	**60,944**
Total financial liability accounted for as cash flow hedges	**–**	**345**	**11,707**	**21,933**	**1,980**	**35,965**
Total financial liabilities	**$32,827**	**$266,246**	**$475,517**	**$1,394,174**	**$1,887,075**	**$4,055,839**

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

	2013					
	On Demand	Less than 3 Months	3 to 12 Months	Over 1Year up to 5 Years	Over 5 Years	Total
Financial assets:						
Cash and cash equivalents	$870,253	$–	$–	$–	$–	$870,253
Trade receivables	–	321,077	–	–	–	321,077
Total loans and receivables	870,253	321,077	–	–	–	1,191,330
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	14,284	–	–	–	–	14,284
Total financial assets	$884,537	$321,077	($1,068)	$2,139	$2,288	$1,208,973
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 years ended December 31, 2014 and 2013.

First Gen Group monitors capital using a debt ratio, which is total debt (net of debt issuance 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.

	2014	2013
Long-term debts (current and non-current portions)	**$2,845,038**	$2,616,617
Loans payable	**–**	53,829
Total debt	**$2,845,038**	$2,670,446
Equity attributable to equity holders of the Parent Company	**$1,498,081**	$1,350,015
Non-controlling interests	**414,525**	379,852
Total equity	**$1,912,606**	$1,729,867
Total debt and equity	**$4,757,644**	$4,400,313
Debt ratio	**60:40**	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 December 31, 2014 and 2013, First Gen Group is in compliance with those covenants.

26. Financial Instruments

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

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Financial assets accounted for as cash flow hedges - Derivative assets	**$5,006**	**$5,006**	$4,317	$4,317
Financial assets at FVPL -				
Designated at FVPL	**11,708**	**11,708**	–	–
Derivative assets	**–**	**–**	170	170
Total financial assets at FVPL	**11,708**	**11,708**	170	170
Loans and receivables:				
Cash and cash equivalents	**673,893**	**673,893**	870,253	870,253
Receivables:				
Trade	**369,876**	**369,876**	321,077	321,077
Due from related parties	**2,521**	**2,521**	2,840	2,840
Others	**14,588**	**14,588**	10,930	10,930

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Long-term receivables	**$763**	**$718**	$349	$332
Special deposits and funds	**2,446**	**2,446**	4,009	4,009
Other current assets	**322**	**322**	218	218
Total loans and receivables	**1,064,409**	**1,064,364**	1,209,676	1,209,659
AFS financial assets -				
Debt securities	**5,811**	**5,811**	7,700	7,700
Equity securities	**591**	**591**	7,086	7,086
Proprietary club membership shares	**1,014**	**1,014**	744	744
Total AFS financial assets	**7,416**	**7,416**	15,530	15,530
	$1,088,539	**$1,088,494**	$1,229,693	$1,229,676
Financial Liabilities				
Financial liabilities carried at amortized cost:				
Accounts payable and accrued expenses*	**$302,465**	**$302,465**	$294,822	$294,822
Dividends payable	**20,056**	**20,056**	20,202	20,202
Due to related parties	**146**	**146**	258	258
Loans payable	**–**	**–**	53,829	53,829
Long-term debts	**2,845,038**	**3,258,600**	2,616,617	2,704,338
Total financial liabilities at amortized cost	**3,167,705**	**3,581,267**	2,985,728	3,073,449
Financial liability accounted for as cash flow hedges - Derivative liabilities	**33,347**	**33,347**	34,591	34,591
	$3,201,052	**$3,614,614**	$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, dividends payable, due to related parties 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 flows using the applicable rates of 3.06% and 2.52% in 2014 and 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, if any, 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 0.2523% to 1.6590% and 0.2543% to 2.9280% as of December 31, 2014 and 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 December 31, 2014 and December 31, 2013 ranging from 0.111% to 2.515% 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 December 31, 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 2.54% to 3.45% on December 31, 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.

	2014			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Loans and receivables:				
Long-term receivables	**$718**	**$–**	**$–**	**$718**
AFS financial assets:				
Debt securities	**5,811**	**5,811**	**–**	**–**
Equity securities	**591**	**591**	**–**	**–**
Financial assets accounted for as cash flow hedges - Derivative assets	**5,006**	**–**	**5,006**	**–**
Financial assets at FVPL – Designated as at FVPL	**11,708**	**–**	**11,708**	**–**
Financial liabilities accounted for as cash flow hedges -Derivative liabilities	**33,347**	**–**	**33,347**	**–**

	2013			
	Fair value	Level 1	Level 2	Level 3
Loans and receivables:				
Long-term receivables	$332	$–	$–	$332
AFS financial assets:				
Debt securities	14,824	14,824	–	–
Equity securities	502	502	–	–
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 December 31, 2014 and 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 swaps, 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 December 31, 2014 and 2013 (amounts in millions). The notional amount is the basis upon which changes in the value of derivatives are measured.

	2014			2013		
	Derivative Assets	**Derivative Liabilities**	**Notional Amount**	Derivative Assets	Derivative Liabilities	Notional Amount
Derivatives Designated as Accounting Hedges						
Freestanding derivatives:						
Interest rate swaps	**$1.56**	**$29.21**	**$398.11**	$3.11	$34.50	$441.03
Cross currency swaps	**3.45**	**3.79**	**$110.00**	1.21	0.09	$65.00
Foreign currency forwards	**–**	**0.35**	**€8.00**	–	–	–
	$5.01	**$33.35**		$4.32	$34.59	

(Forward)

	2014			2013		
	Derivative Assets	**Derivative Liabilities**	**Notional Amount**	Derivative Assets	Derivative Liabilities	Notional Amount
Derivatives not Designated as Accounting Hedges						
Freestanding derivatives - Foreign currency forwards	**$–**	**$–**	**$–**	$0.17	$–	$105.60
Total derivatives	**5.01**	**33.35**		$4.49	$34.59	
Presented as:						
Current	**$0.49**	**$0.42**		$0.32	$0.01	
Noncurrent	**4.52**	**32.93**		4.17	34.58	
Total derivatives	**$5.01**	**$33.35**		$4.49	$34.59	

Derivatives not Designated as Accounting Hedges

First Gen Group's derivatives not designated as accounting hedges include embedded derivatives in the Parent Company's CBs and 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 consolidated statements of income.

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 an aggregate notional amount of $105.6 million and an average forward rate of ₱44.00. EDC settled these foreign currency swap contracts in 2014 resulting to a $0.3 million gain that was recorded under "Mark-to-market gain (loss) on derivatives - net" account in the consolidated statements of income.

For the years ended December 31, 2014 and 2013, EDC recognized $0.2 million gain and $0.3 million gain, respectively, from the fair value changes of these foreign currency swap contracts. This is recorded under "Mark-to-market gain (loss) on derivatives - net" account in the consolidated statements of income.

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

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 PHP - buy US$ forward contracts was $130.0 million while the average forward rate was ₱43.61.

For the years ended December 31, 2014 and 2013, EDC recognized nil and $0.1 million gain, 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 consolidated statements of income.

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

Foreign Currency Forwards
On August 25, 2011, the Parent Company entered into deliverable buy PHP-sell US$ foreign currency forwards to purchase ₱400.0 million from both Deutsche Bank AG, Manila Branch (Deutsche Bank) and ANZ at ₱42.585/US$ on January 24, 2012 and at ₱42.706/US$ on July 24, 2012, respectively.

For the year ended December 31, 2012, the net gains from changes in fair value of the foreign currency forwards recorded under "Mark-to-market gain on derivatives - net" account in the consolidated statements of income amounted to $0.3 million.

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 15).

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 December 31, 2014 and 2013, the aggregate negative fair values of the interest rate swaps that were deferred to "Cumulative translation adjustments" account in the consolidated statements of financial position amounted to $29.2 million (net of related deferred tax effect of $8.8 million) and $24.1 million (net of related deferred tax effect of $10.3 million), respectively.



Interest Rate Swap - FGP
In 2002, FGP entered into an interest rate swap agreement with a foreign bank to hedge half of its floating rate exposure on its ECGD Facility Agreement. Under the interest rate swap agreement, FGP pays a fixed rate of 7.475% and receives a floating rate of U.S. LIBOR plus spread of 215 basis points, on a semi-annual basis, simultaneous with the interest payments every June and December on the hedged loan. The notional amount of interest rate swap is amortizing based on the repayment schedule of the hedged loan. The interest rate swap agreement will mature in December 2014 (coinciding with the maturity of the hedged loan).

On October 22, 2012, FGP terminated the interest rate swap agreement in the amount of $0.9 million. As the hedged loan was also terminated, the negative fair value change of the interest rate swap that was deferred to the "Cumulative translation adjustments" account amounting to $0.9 million as of termination date was taken to the 2012 consolidated statement of income.

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 15). Under the interest rate swap agreements, FGP pays a fixed rate of 1.425% and receives a 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 a fixed rate of 1.28% and receives a 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 the hedged loan. The interest rate swaps were designated as cash flow hedges and will mature on June 10, 2020.

As of December 31, 2014 and 2013, the positive fair values of the interest rate swaps that were deferred to "Cumulative translation adjustments" account in the consolidated statements of financial position amounted $1.6 million (net of related deferred income tax effect of $1.1 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 consolidated statements of income for the years ended December 31, 2014 and 2013.

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

	2014	2013
Notional amounts	**$398,106**	$441,027
Cumulative mark-to-market losses	**(29,207)**	(34,496)
Cumulative mark-to-market gains	**1,558**	3,110



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

	2014	2013
Fair value at beginning of year	**($31,386)**	($57,418)
Fair value changes taken into equity during the year	**(10,539)**	11,211
Fair value changes realized during the year	**14,276**	14,821
Fair value at end of year	**(27,649)**	(31,386)
Deferred tax effect on cash flow hedges	**8,295**	9,416
Fair value deferred into equity	**($19,354)**	($21,970)

Fair value changes during the year, net of deferred income tax, are recorded in the consolidated statements of comprehensive income, and under the "Cumulative translation adjustments" account in the consolidated statements of financial position. The fair value changes realized during the year were taken into "Interest expense and financing charges" account in the 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 years ended December 31, 2014 and 2013, fair value changes taken to the consolidated statements of income amounted to $14.3 million and $14.8 million, respectively.

Cross Currency Swaps - EDC
In 2012 and 2014, EDC entered into 6 and an additional 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 62.86% of the 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.

In the last quarter of 2014, EBWPC entered into four (4) interest rate swaps (IRS) with aggregate notional amount of $150.0 million. This is to partially hedge the interest rate risks on its ECA and Commercial Debt Facility (the Foreign Facility) that is benchmarked against U.S. LIBOR and with flexible interest reset feature that allows EBWPC to select what interest reset frequency to apply. Under the IRS agreement, EBWPC will receive semi-annual interest of 6-month USD-LIBOR and will pay fixed interest. EBWPC designated the IRS as hedging instruments in cash flow hedge against the interest rate risk arising from the Foreign Facility.

As of December 31, 2014 and 2013, the outstanding aggregate notional amount of EDC's NDCCS amounted to $110.0 million and $65.0 million, respectively. For the years ended December 31, 2014 and 2013, the aggregate fair value changes on these NDCCS amounting to $0.2 million loss and $1.3 million loss, respectively, were recognized under "Cumulative translation adjustments" account in the consolidated statements of financial position.

As of December 31, 2014, the outstanding aggregate notional amount of EBWPC's IRS amounted to $150.0 million. For the year ended December 31, 2014, the aggregate fair value changes on these IRS amounting to $3.9 million loss was recognized under "Cumulative translation adjustments" account in the consolidated statements of financial position.

Hedge Effectiveness Results

Since the critical terms of the hedged loan and the IRS/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 IRS/NDCCS amounting to $89.1 million loss as of December 31, 2014 and $5.8 million gain as of December 31, 2013 were recognized under "Cumulative translation adjustments" account in the consolidated statements of financial position. No ineffective portion was recognized in the consolidated statements of income for the years ended December 31, 2014 and 2013.

As of December 31, 2014 and 2013, the net movement of changes made to "Cumulative translation adjustments" account for EDC's cash flow hedges are as follows:

	2014	2013
Balances at beginning of year	**($1,065)**	($3,403)
Fair value changes taken into equity during the year	**(89,137)**	5,797
Fair value changes realized during the year	**87,673**	1,035
Foreign exchange losses realized taken to the consolidated statement of income	**(1,181)**	(4,494)
	(3,710)	(1,065)
Deferred income tax effect on cash flow hedges	**(352)**	(234)
Balances at end of year	**($4,062)**	($1,299)

Foreign Currency Forwards - FGPC and FGP

On October 31, 2014, FGPC and FGP both entered into several currency forwards with ING Bank N.V. Manila Branch (ING) to purchase European Euro at fixed Euro to U.S. dollar exchange rates. FGPC and FGP designated these derivatives as effective hedging instruments that will address the risk on variability of cash flows due to foreign exchange fluctuations in Euro to U.S. dollar exchange rates related to its Euro denominated liabilities arising from the monthly operations and maintenance fees to SPOI.

Under the agreements, FGPC and FGP are obligated to buy Euro from ING amounting to €2.5 million and €1.5 million, respectively, based on the agreed strike exchange rates. The settlement of each of the forward contract is from January 6, 2015 up to February 3, 2015 which coincides with the settlement of the outstanding and forecasted monthly payables to SPOI.

As of December 31, 2014, the outstanding notional amount of the foreign currency forward contracts designated as cash flow hedges amounted to €8.0 million. The aggregate negative fair value of the foreign currency forward contracts that was deferred to "Cumulative translation adjustments" account in the consolidated statements of financial position amounted to $0.2 million (net of related deferred income tax effect of $0.1 million).

The net movements in the fair value changes of foreign currency forwards of FGPC and FGP are as follows:

Notional amount	€8,000,000
Mark-to-market loss	(345)
Fair value at beginning of year	$–
Fair value change taken into other comprehensive income during the year	(345)
Fair value change realized during the year	–
Fair value at end of year	(345)
Less deferred income tax effect	103
Fair value at end of year deferred into equity	($242)

27. Significant Contracts, Franchise, Commitments and Contingencies

a. Power Purchase Agreements (PPA) and Power Supply Agreements (PSA)

FGP and FGPC

FGP and FGPC each has an existing PPA with Meralco, the largest power distribution company operating in the island of Luzon and the Philippines and the sole customer of both companies. Under the PPA, Meralco will purchase in each Contract Year from the start of commercial operations, a minimum number of kWh of the net electrical output of FGP and FGPC for a period of 25 years. Billings to Meralco under the PPA are substantially in U.S. dollar and a small portion is billed in Philippine peso.

On January 7, 2004, Meralco, FGP and FGPC signed the Amendment to their respective PPAs. The negotiations resulted in a package of concessions including the assumption of FGP and FGPC of community taxes at current tax rate, while conditional concessions include increasing the discounts on excess generation, payment of higher penalties for non-performance up to a capped amount, recovery of accumulated deemed delivered energy until 2011 resulting in the non-charging of Meralco of excess generation charge for such energy delivered beyond the contracted amount but within a 90% capacity quota. The amended terms under the respective PPAs of FGP and FGPC were approved by the ERC on May 31, 2006.

Under the respective PPAs of FGP and FGPC, the fixed capacity fees and fixed operating and maintenance fees are recognized monthly based on the actual NDC tested and proven, which is usually conducted on a semi-annual basis. Total fixed capacity fees and fixed operating and maintenance fees amounted to $297.2 million in 2014, $270.7 million in 2013, and $290.5 million in 2012. Total power sold to Meralco by FGP and FGPC (which already includes the fixed capacity fees and fixed operating and maintenance fees mentioned above) amounted to $1,205.2 million in 2014, $1,292.7 million in 2013, and $1,390.8 million in 2012.

FG Bukidnon

On January 9, 2008, FG Bukidnon and Cagayan Electric Power and Light Co., Inc. (CEPALCO), an electric distribution utility operating in the City of Cagayan de Oro, signed a PSA for the FG Bukidnon plant. Under the PSA, FG Bukidnon shall generate and deliver to CEPALCO and CEPALCO shall take, and pay for even if not taken, the Available Energy for a period commencing on the date of ERC approval until March 28, 2025.

On February 15, 2010, FG Bukidnon received the decision from the ERC dated November 16, 2009 which modified some of the terms of the PSA. On March 2, 2010, FG Bukidnon filed a Motion for Reconsideration (MR) with the ERC. While still awaiting the ERC's reply to the MR, FG Bukidnon applied the ERC's revised rate for its sale to CEPALCO starting March 2010. On September 9, 2010, FG Bukidnon received the ERC order dated August 16, 2010 partially approving FG Bukidnon's MR. This approved tariff was used starting September 2010. On October 19, 2010, FG Bukidnon filed a motion for clarification on the effectivity of the ERC order dated August 16, 2010.

On May 5, 2011, FG Bukidnon received the ERC order dated April 4, 2011 which clarified that the ERC order dated August 16, 2010 should be applied retroactively from March 2010. FG Bukidnon was able to recover from CEPALCO ₱1.76 million of under-recoveries covering the period March 2010 to August 2010.

On June 14, 2012, FG Bukidnon signed a Transmission Service Agreement with the National Grid Corporation of the Philippines (NGCP) for the latter's provision of the necessary transmission services to FG Bukidnon. The charges under this agreement are as provided in the Open Access Transmission Service Rules and/or applicable ERC orders/issuances. Under the PSA, these transmission-related charges shall be passed through to CEPALCO.

FG Hydro

FG Hydro had contracts which were originally transferred by NPC to FG Hydro as part of the acquisition of PAHEP/MAHEP for the supply of electric energy with several customers within the vicinity of Nueva Ecija. All contracts expired as of December 31, 2010.

In 2010, upon renegotiation with the customers and as stipulated by the ERC, the expired contracts were renewed except for the contract with Pantabangan Municipal Electric System (PAMES). FG Hydro shall generate and deliver to these customers the contracted energy on a monthly basis. FG Hydro is bound to service these customers for the remainder of the stipulated terms, the range of which falls between December 2008 to December 2020.

Upon expiration, these contracts may be renewed upon renegotiation with the customers and approval by the ERC. As of December 31, 2014, there are four remaining long-term power supply agreements being serviced by FG Hydro.

Details of the existing contracts are as follows:

Related Contract	Expiry Date	Other Development
Nueva Ecija II Electric Cooperative, Inc., Area 1 (NEECO II -Area 1)	August 25, 2018	FG Hydro and NEECO II-Area 1 executed a five-year new PSA, signed in May 2013. The contract term is for a minimum of five years, commencing on August 26, 2013, and may further continue and remain effective up to August 25, 2023 subject to agreement by both parties on the provisions of Re-Pricing. The ERC granted a provisional approval of the PSA between FG Hydro and NEECO II-Area 1 on January 14, 2014.
Nueva Ecija II Electric Cooperative, Inc., Area 2 (NEECO II –Area 2)	December 25, 2016	The ERC granted a provisional approval on the PSA between FG Hydro and NEECO II-Area 2 on August 2, 2010 with a pending final resolution of the application for the approval thereof.
PAMES	December 25, 2008	There was no new agreement signed between FG Hydro and PAMES. However, FG Hydro had continued to supply PAMES' electricity requirements with PAMES' compliance to the agreed restructured payment terms.
Edong Cold Storage and Ice Plant (ECOSIP)	December 25, 2020	A new agreement was signed by FG Hydro and ECOSIP in November 2010 for the supply of power in the succeeding 10 years.
National Irrigation Administration (NIA)-Upper Pampanga River Integrated Irrigation System	October 25, 2020	FG Hydro and NIA-UPRIIS signed a new agreement in October 2010 for the supply of power in the succeeding 10 years.

EDC

EDC has existing PPAs with NPC for the development, construction and operation of geothermal power plants by EDC in the service contract areas and the sale to NPC of the electrical energy generated from such geothermal power plants. The PPA provides, among others, that NPC pays EDC a base price per kWh of electricity delivered subject to inflation adjustments. The PPAs are for a period of 25 years from commercial operations and may be extended upon the request of EDC by notice of not less than 12 months prior to the end of contract period, under such terms and conditions as may be agreed by the parties.

Details of the existing PPAs are as follows:

Contract Area	Contracted Annual Energy	End of Contract
Leyte-Cebu	1,370 gigawatt-hour (GWh)	July 2021
Leyte-Luzon	3,000 GWh	July 2022
52 MW Mindanao I	330 GWh for the first year and 390 GWh for the succeeding years	March 2022
54 MW Mindanao II	398 GWh	June 2024

The PPA for Leyte-Cebu and Leyte-Luzon service contract stipulates a nominated energy of not lower than 90% of the contracted annual energy.

Green Core Geothermal Inc. (GCGI)

With GCGI's takeover of Palinpinon and Tongonan Power Plants effective October 23, 2009, Schedule X of the Asset Purchase Agreement (APA) with PSALM provides for the assignment of 12 NPC PSAs to GCGI. As of December 31, 2014, the following Transition Supply Contract (TSC's) remained:

Customers	Contract Expiration
Negros	
Dynasty Management Development Corp. (DMDC)	March 25, 2016
Panay	
Philippine Foremost Milling Corp. (PFMC)	March 25, 2016

Since GCGI's takeover of the power plants, 25 new PSAs have been signed as follows:

Customers	Contract Start	Contract Expiration
Manila		
FGES	June 26, 2013	June 25, 2023
Leyte		
Don Orestes Romualdez Electric Cooperative, Inc. (DORELCO)*	Dec. 26, 2010	Dec. 25, 2020
Leyte II Electric Cooperative, Inc. (LEYECO II)*	Dec. 26, 2010	Dec. 25, 2040
LEYECO II*	Dec. 26, 2011	Dec. 25, 2040
Leyte III Electric Cooperative, Inc. (LEYECO III)*	Dec. 26, 2011	Dec. 25, 2040
Leyte IV Electric Cooperative, Inc. (LEYECO IV)*	Dec. 26, 2012	Dec. 25, 2017
Leyte V Electric Cooperative, Inc. (LEYECO V)*	Dec. 26, 2010	Dec. 25, 2020
Philippine Phosphate Fertilizer Corporation (PHILPHOS)	Dec. 26, 2011	Dec. 25, 2016
Cebu		
Visayan Electric Company, Inc. (VECO)*	Dec. 26, 2010	Dec. 25, 2024
VECO*	Dec. 26, 2011	Dec. 25, 2016
Balamban Enerzone Corporation (BEZ)	Dec. 26, 2010	Dec. 25, 2025
Negros		
Central Negros Electric Cooperative, Inc. (CENECO)*	Dec. 26, 2011	Dec. 25, 2040
Negros Occidental Electric Cooperative, Inc. (NOCECO)*	Dec. 26, 2010	Dec. 25, 2020
Negros Oriental I Electric Cooperative, Inc. (NORECO I)*	Dec. 26, 2010	Dec. 25, 2030
Negros Oriental II Electric Cooperative, Inc. (NORECO II)*	Dec. 26, 2010	Dec. 25, 2035
Northern Negros Electric Cooperative, Inc. (NONECO)**	Dec. 26, 2010	Dec. 25, 2020
Dumaguete Coconut Mills, Inc. (DUCOM)	Oct. 26, 2010	Oct. 25, 2020
Bohol		
Bohol II Electric Cooperative, Inc. (BOHECO II)*	Jan. 26, 2013	Jan. 25, 2040
Panay		
Aklan Electric Cooperative, Inc. (AKELCO)*	March 26, 2010	Dec. 25, 2040
Antique Electric Cooperative, Inc. (ANTECO)***	Dec. 26, 2014	Dec. 25, 2040
Capiz Electric Cooperative, Inc. (CAPELCO)*	Jan. 27, 2010	Dec. 25, 2040
Iloilo I Electric Cooperative, Inc. (ILECO I)*	March 26, 2010	Dec. 25, 2040
Iloilo II Electric Cooperative, Inc. (ILECO II)*	Dec. 26, 2010	Dec. 25, 2030
Iloilo III Electric Cooperative, Inc. (ILECO III)*	Dec. 26, 2012	Dec. 25, 2030
Guimaras Electric Cooperative, Inc. (GUIMELCO)*	Dec. 26, 2012	Dec. 25, 2040

**with Provisional Authority from the ERC as of December 31, 2014*

***NONECO was formerly known as V.M.C. Rural Electric Service Cooperative, Inc. (VRESCO)*

****Preparations are on-going for the filing with the ERC of the applications for the approval of the PSA with ANTECO.*

Coordination with ERC is on-going to secure the Final Authority for the filed applications for the approval of the PSAs with distribution utility and electric cooperative customers. The terms of several PSAs were extended between 2024-2040.

BacMan Geothermal Inc. (BGI)
With BGI's takeover of BMGPP from NPC effective September 2010, BGI entered into several PSAs with various companies and electric cooperative. As of December 31, 2014, following are the outstanding PSAs of BGI:

Customers	Contract Start	Contract Expiration
Meralco	–	–
Philippine Associated and Refining Smelting Corp. (PASAR)	Dec. 26, 2012	Dec. 25, 2015
Camarines Sur II Electric Cooperative, Inc. (CASURECO II)*	Jan. 26, 2013	Jan. 25, 2018
FGES (TCPI)	June 26, 2013	Jan. 25, 2016
First Philippine Industrial Corporation (FPIC)	Dec. 26, 2012	Dec. 25, 2015
FG Hydro (for ECOSIP contract)	Dec. 26, 2014	June 25, 2015
FG Hydro (for NEECO II-Area 1 contract)	Dec. 26, 2014	Dec. 25, 2015

**with Provisional Authority from the ERC as of December 31, 2014*

On November 25, 2014, BGI executed a PSA with Meralco where BGI shall supply Meralco with 50 MW of power from BMGPP over a term of 5 years and can be extended by an additional 2 years. The said PSA shall be submitted to the ERC for approval.

FGES
On May 16, 2013, FGES entered into a PSA with GCGI for 2 MW monthly energy supply, primarily from its geothermal energy power plant, starting June 25, 2013 until June 25, 2023. The said contracted energy is intended to serve the contracted energy requirement of the RSC with its contestable customer, Alturas Group of Companies (AGC).

On May 20, 2013, FGES entered into a PSA with BGI for 6 MW monthly energy supply, primarily from its geothermal energy power plant, from June 25, 2013 until January 25, 2016. The said contracted energy is intended to serve the contracted energy requirement of the RSC with another contestable customer, Taiheiyo Cement Philippines Inc. (TCPI).

b. Stored Energy Commitment of EDC

On various dates, EDC entered into Addendum Agreements to the PPA related to the Unified Leyte power plants, whereby any excess generation above the nominated energy or take-or-pay volume will be credited against payments made by NPC for the periods it was not able to take electricity. As of December 31, 2014 and 2013, the commitment for stored energy is equivalent to 4,326.6 GWh.

c. Geothermal Service Contracts (GSC)/ GRESCs of EDC

By virtue of Presidential Decree (P.D.) No. 1442, EDC entered into several GSCs with the Philippine Government through the DOE granting EDC the right to explore, develop, and utilize the country's geothermal resource subject to sharing of net proceeds with the Philippine Government. The net proceeds is what remains after deducting from the gross proceeds the allowable recoverable costs, which include development, production and operating costs. The allowable recoverable costs shall not exceed 90% of the gross proceeds. EDC pays 60% of the net proceeds as share of the Philippine Government and retains the 40%. The 60% Philippine Government share is comprised of royalty fees and income taxes. The royalty fees are split between the DOE (60%) and the LGU (40%) where the project is located.

R.A. 9513, *"An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes,"* otherwise known as the *"Renewable Energy Act of 2008"* or the *"RE Law"* and which became effective in January 2009, mandates the conversion of existing GSCs under P.D. 1442 into GRESCs to avail of the incentives under the RE Law. EDC submitted its letter of intent to register with the DOE as an RE Developer on May 20, 2009 and the conversion contracts negotiation with the DOE started in August 2009. Aside from the tax incentives, the significant terms of the service concessions under the GRESCs are similar to the GSCs except that EDC has control over any significant residual interest over the steam fields, power plants, and related facilities throughout the concession period and even after the concession period.

On September 10, 2009, EDC was granted the Provisional Certificate of Registration as an RE Developer for the following existing projects: (1) GSC No. 01- Tongonan, Leyte, (2) GSC No. 02 - Palinpinon, Negros Oriental, (3) GSC No. 03 - Bacon-Manito, Sorsogon/Albay, (4) GSC No. 04 - Mt. Apo, North Cotabato, and (5) GSC No. 06 - Northern Negros.

With the receipt of the certificates of provisional registration as geothermal RE Developer, the fiscal incentives of the RE Law was availed of by EDC retroactive from the effective date of such law on January 30, 2009. Fiscal incentives include among others, the change in the applicable corporate tax rate from 30% to 10% for RE-registered activities. The GSCs were fully converted to GRESCs upon signing of the parties on October 23, 2009; thereby EDC is now the holder of five (5) GRESCs and the corresponding DOE Certificate of Registration as an RE Developer for the following geothermal projects:

1) GRESC 2009-10-001 for Tongonan Geothermal Project;
2) GRESC 2009-10-002 for Southern Negros Geothermal Project;
3) GRESC 2009-10-003 for Bacon-Manito Geothermal Project;
4) GRESC 2009-10-004 for Mt. Apo Geothermal Project; and
5) GRESC 2009-10-005 for Northern Negros Geothermal Project

The DOE approved the application of EDC for the 20-year extension of the Tongonan, Palinpinon and Bacon-Manito GSCs. The extension is embodied in the fourth amendment to the GSCs dated October 30, 2003. The amendment extended the Tongonan GSC from May 15, 2011 to May 16, 2031, while the Palinpinon and Bacon-Manito GSCs are extended from October 16, 2011 to October 17, 2031.

The DOE conducted bidding on the geothermal energy resources located in Labo, Camarines Norte and the contract area was won by EDC. The certificate of registration as RE Developer for this contract area was granted by the DOE on February 19, 2010. On the same date, EDC's GSC in Mt. Labo in Camarines Norte and Sur was converted to GRESC 2010-02-020.

On March 24, 2010, the DOE issued to EDC a new GRESC of Mainit Geothermal Project under DOE Certificate of Registration No. GRESC 2010-03-021.

The remaining service contract of EDC that is still covered by P.D. 1442 as of December 31, 2012 is the Mt. Cabalian in Southern Leyte, which has a term of 25 years from the effective date of the contract, January 31, 1997, and for an additional period of 25 years if EDC has not been in default in its obligations under the GSC. In 2014, after thorough assessment, EDC surrendered to the DOE the GSC covering the Southern Leyte Geothermal Project located in Cabalian, Southern Leyte. EDC has found the project not viable

considering the size of the resource and the risks associated with the development and sustainability thereof. EDC has written-off the allowance recognized for the Cabalian project amounting to $13.0 million.

EDC also holds geothermal resource service contracts for the following prospect areas:

1) Ampiro Geothermal Project (with a five-year pre-development period expiring in 2017 and a 25-year contract period expiring in 2037)
2) Mandalagan Geothermal Project (with a five-year pre-development period expiring in 2017 and a 25-year contract period expiring in 2037)
3) Mt. Zion Geothermal Project (with a five-year pre-development period expiring in 2017 and a 25-year contract period expiring in 2037)
4) Lakewood Geothermal Project (with a five-year pre-development period expiring in 2017 and a 25-year contract period expiring in 2037)
5) Balingasag Geothermal Project (with a five-year pre-development period expiring in 2017 and a 25-year contract period expiring in 2037)

The RE Law also provides that the exclusive right to operate geothermal power plants shall be granted through a Renewable Energy Operating Contract with the Philippine Government through the DOE. Accordingly, on May 8, 2012, EDC, through its subsidiaries GCGI and BGI secured three (3) Geothermal Operating Contracts (GOCs) covering the following power plant operations:

1) Tongonan Geothermal Power Plant under DOE Certificate of Registration No. GOC 2012-04-038 [with a twenty-five (25) year contract period expiring in 2037, renewable for another twenty-five (25) years]
2) Palinpinon Geothermal Power Plant under DOE Certificate of Registration No. GOC 2012-04-037 [with a twenty-five (25) year contract period expiring in 2037, renewable for another twenty-five (25) years]
3) Bacon-Manito Geothermal Power Plant under DOE Certificate of Registration No. GOC No. 2012-04-039 [with a twenty-five (25) year contract period expiring in 2037, renewable for another twenty-five (25) years]

d. Steam Sales Agreements (SSA) and GRSC of EDC

Prior to the acquisition of GCGI and BGI by EDC in 2009 and 2010, respectively, EDC had SSAs for the supply of the geothermal energy produced by its geothermal projects for the power plants then owned and operated by NPC. Under the SSA, NPC agrees to pay EDC a base price per kWh of gross generation, subject to inflation adjustments, and based on a guaranteed take-or-pay (TOP) rate at certain percentage plant factor. The SSA is for a period of 20 to 25 years.

Details of the existing SSAs are as follows:

Contract Area	Guaranteed TOP	End of Contract
Palinpinon II (covers four modular plants)	50% for the 1st year, 65% for the 2nd year, 75% for the 3rd and subsequent years	December 2018 - March 2020
BacMan I	75% plant factor	November 2013
BacMan II (covers two 20 MW modular plants, namely Cawayan and Botong)	50% for the 1st year, 65% for the 2nd year, 75% for the 3rd and subsequent years	March 2019 and December 2022

After the turnover of the power plants to GCGI on October 23, 2009, the SSAs of Tongonan I, Palinpinon I and Palinpinon II were converted to GRSCs. Under the GRSCs which will terminate in 2031, GCGI agrees to pay EDC remuneration for actual net electricity generation of the plant with steam prices in U.S. Dollars per kWh tied to coal indices.

With the rehabilitation of BMGPP, billing on the SSA shall resume on (a) the execution of the deed of assignment of the SSA from NPC/PSALM to BGI; or (b) such time that the BacMan power plants resume its operations. On July 25, 2012, EDC, BGI and PSALM executed a letter of agreement for the direct billing and collection of the steam contracts between EDC and BGI. However, PSALM still remains a party to the steam contracts.

e. Gas Sale and Purchase Agreements (GSPA)

FGP and FGPC each has an existing GSPA with the consortium of Shell Philippines Exploration B.V., Chevron Malampaya, LLC and PNOC Exploration Corporation (collectively referred to as Gas Sellers), for the supply of natural gas in connection with the operations of the power plants. The GSPAs, now on their thirteenth Contract Year, are for a total period of approximately 22 years.

Total cost of natural gas purchased amounted to $291.5 million in 2014, $241.0 million in 2013, and $343.4 million in 2012 for FGP; and $529.3 million in 2014, $595.8 million in 2013, and $650.7 million in 2012 for FGPC.

Under the GSPA, FGP and FGPC are obligated to consume (or pay for, if not consumed) a minimum quantity of gas for each Contract Year (which runs from December 26 of a particular year up to December 25 of the immediately succeeding year), called the Take-Or-Pay Quantity (TOPQ). Thus, if the TOPQ is not consumed within a particular Contract Year, FGP and FGPC incur an "Annual Deficiency" for that Contract Year equivalent to the total volume of unused gas (i.e., the TOPQ less the actual quantity of gas consumed). FGP and FGPC are required to make payments to the Gas Sellers for such Annual Deficiency after the end of the Contract Year. After paying for Annual Deficiency gas, FGP and FGPC can, subject to the terms of the GSPA, "make-up" such Annual Deficiency by consuming the unused-but-paid-for gas (without further charge) within 10-Contract Years after the Contract Year for which the Annual Deficiency was incurred, in the order that it arose.

Included in the June 9, 2010 Settlement Agreement is the GSPA amendment in which FGP, FGPC and the Gas Sellers agreed that where the Gas Sellers reschedule, reduce or cancel Scheduled Maintenance and fail to provide a rescheduling notice within the period required under clause 17.1.2 of the respective GSPAs of FGP and FGPC, Gas Sellers shall be permitted, subject to clause 17.5, to carry forward to succeeding Contract Years the number of Days within the originally scheduled period where no actual maintenance is carried out by the Gas Sellers provided that Gas Sellers tender for delivery, and FGP and FGPC actually take, gas equivalent to at least 61.429 Terajoules (TJ) and 122.9 TJ for San Lorenzo and Santa Rita, respectively. FGP and the Gas Sellers likewise agreed that references to "the Base TOPQ divided by 350" in certain clauses of the San Lorenzo GSPA shall be replaced by "61.429 TJ".

On December 27, 2013, FGP received an invoice from the Gas Sellers for an Annual Deficiency amount of US$38.3 million for the Contract Year ending on December 25, 2013 ("CY 2013"). The alleged Annual Deficiency in the Gas Sellers' invoice was based on the Gas Sellers' calculation of the TOPQ.

FGP disputed the Gas Sellers' calculation of the TOPQ for CY 2013 on the grounds that, among others, the Gas Sellers failed to reduce the TOPQ by the quantity of gas not taken by FGP due to the force majeure event that affected Unit 60 of the San Lorenzo power plant last May 28, 2013. Under clause 9.1.2 of the GSPA, the TOPQ is calculated using a Base TOPQ and reduced by, among others, quantity of gas not taken by FGP due to a force majeure event. FGP is of the position that there should be no Annual Deficiency payable to the Gas Sellers based on FGP's calculation of the TOPQ in accordance with the provisions of the GSPA. FGP has written the Gas Sellers to correct their calculation of the TOPQ which should eliminate the Annual Deficiency amount in their invoice. FGP intends to take further appropriate dispute resolution measures as necessary. Accordingly, FGP has not recognized the said invoice for the CY 2013 Annual Deficiency in the consolidated financial statements as of December 31, 2013.

Under clause 13.5.1 of the GSPA, amounts that are subject of a bona fide dispute with the Gas Sellers shall be paid after settlement of the dispute pursuant to the dispute settlement provisions, which require mutual discussions between parties, referral to an expert for resolution and arbitration proceedings. If the parties go through the dispute resolution proceedings, such proceedings would likely last for more than one (1) year. FGP has advised Meralco that FGP is currently disputing such Annual Deficiency amount as discussed above. Under the PPA between FGP and Meralco, all fuel and fuel-related costs, including such Annual Deficiency, are borne by Meralco and are billed on a full pass-through basis, subject to true-up adjustments (if there are any). Any payments that may be due from Meralco shall be made upon resolution of such dispute with the Gas Sellers.

On June 3, 2014, FGP received a letter from the Gas Sellers dated May 14, 2014 regarding their acceptance of FGP's EFM Claim. With the acceptance by the Gas Sellers of FGP's EFM Claim, the previously issued CY 2013 Annual Deficiency was adjusted to include the reduction to TOPQ for CY 2013 due to the force majeure event that affected FGP (as Buyer), and the invoice was reversed correspondingly.

On January 6, 2015, FGPC received an invoice from the Gas Sellers for an Annual Deficiency amount of $2.2 million for the Contract Year ending on December 25, 2014 ("CY 2014"). FGPC disputed a portion of the Gas Sellers' computation of TOPQ for CY 2014 in the amount of $0.7 million on the grounds that, among others, there are differences noted in calculating the Shortfall Gas on various dates, and certain claims for relief due to force majeure events that affected the Santa Rita Plant. Considering the differences noted, FGPC has sought correction of the CY 2014 Annual Reconciliation Statement, however, FGPC is still awaiting resolution of the disputed amount from the Gas Sellers as of March 12, 2015.

f. Wind Energy Service Contract (WESC) of EDC

On September 14, 2009, EDC entered into a WESC 2009-09-004 with the DOE granting EDC the right to explore and develop the Burgos Wind Project for a period of 25 years from effective date. The pre-development stage under the WESC shall be two years which can be extended for another one year if EDC does not default in its exploration or work commitments and provides a work program for the extension period upon confirmation by the DOE. The WESC also provides that upon submission of the declaration of commercial viability, as confirmed by the DOE, the WESC shall remain in force for the balance of the 25-year period for the development/commercial stage. The DOE shall approve the extension of the WESC for another 25 years under the same terms and conditions, provided that EDC is not in default



in any material obligations under the WESC, and has submitted a written notice to the DOE for the extension of the contract not later than one (1) year prior to the expiration of the 25-year period. The WESC provides that all materials, equipment, plants and other installations erected or placed on the contract area by EDC shall remain the property of EDC throughout the term of the contract and after its termination.

On May 26, 2010, the BOD of EDC approved the assignment and transfer to EBWPC of all the contracts, assets, permits and licenses relating to the establishment and operation of the Burgos Wind Project under DOE Certificate of Registration No. WESC 2009-09-004. In April 2013, EDC commenced the construction of its 87 MW Burgos Wind Project which is situated in the Municipality of Burgos, Ilocos Norte. The wind farm will consist of 29 units of the Class 1 V90-3.0 MW wind turbine generator to be supplied by Vestas Wind Systems. The transmission line will span 42 kilometers and will connect the wind farm and substation in Burgos to the NGCP substation in Laoag City. The project has an existing Interconnection Agreement with NGCP. Given the aforementioned key activities, EBWPC was granted a Certificate of Confirmation of Commerciality for its 87MW Burgos Wind Project on May 16, 2013. The certificate converts the project's WESC from exploration/pre-development stage to the development/commercial stage.

Feed-In Tariff (FIT) Eligibility of Burgos Wind Project
On November 5, 2014, EBWPC informed the DOE that its 150MW Burgos Wind Project 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."

On November 12, 2014, EBWPC received DOE's COE for FIT Eligibility endorsing the 150MW Burgos Wind Project (Phase 1 – 87 MW and Phase 2 – 63 MW) for the purpose of qualifying the project under the FIT System. The COE for FIT Eligibility was issued by the DOE after validation of the project's successful commissioning in accordance with the set guidelines of the DOE.

In 2010, EDC entered into five WESCs with the DOE for the following contract areas:

Projects	DOE Certificates of Registration
1) Pagudpud Wind Project	WESC 2010-02-040 (expiring in 2035)
2) Camiguin Wind Project	WESC 2010-02-041 (expiring in 2035)
3) Taytay Wind Project	WESC 2010-02-042 (expiring in 2035)
4) Dinagat Wind Project	WESC 2010-02-043 (expiring in 2035)
5) Siargao Wind Project	WESC 2010-02-044 (expiring in 2035)

In February 2013, EPWPC submitted its Declaration of Commerciality to the DOE for the Pagudpud wind project, similarly seeking to convert the project from exploration/pre-development stage to the development/commercial stage. As of March 12, 2015, EPWPC is awaiting the DOE's Confirmation of Commerciality of the Pagudpud wind project.

Meanwhile, on December 19, 2011, EDC submitted a letter of surrender covering the Taytay, Dinagat and Siargao contract areas, and on January 11, 2013 covering the Camiguin contract area, and thus will thus no longer pursue these project areas further. Per Section 4.2 of the WESC, the surrender will take effect 30 days upon the RE Developer's submission of a written notice to the DOE.



EDC also holds ten (10) WESCs with the DOE. The WESCs cover the following:

Projects	DOE Certificates of Registration
1) 150 MW wind project in Burgos, Ilocos Norte	WESC 2009-09-004 (expiring in 2034)
2) 84 MW wind project in Pagudpud, Ilocos Norte	WESC 2010-02-040 (expiring in 2035)
3) Burgos 1 wind project in Burgos, Ilocos Norte	WESC 2013-12-063 (expiring in 2038)
4) Burgos 2 wind project in Burgos, Ilocos Norte	WESC 2013-12-063 (expiring in 2038)
5) Matnog 1 wind project in Matnog & Magdalena, Sorsogon	WESC 2014-07-075 (expiring in 2039)
6) Matnog 2 wind project in Matnog, Sorsogon	WESC 2014-07-076 (expiring in 2039)
7) Matnog 3 wind project in Matnog, Sorsogon	WESC 2014-07-077 (expiring in 2039)
8) Iloilo 1 wind project in Batad & San Dionisio, Iloilo	WESC 2014-07-078 (expiring in 2039)
9) Iloilo 2 wind project in Concepcion, Iloilo	WESC 2014-07-079 (expiring in 2039)
10) Negros wind project in Manapla & Cadiz City	WESC 2014-07-080 (expiring in 2039)

In June 2012, the WESC for the Pagudpud project was assigned by EDC to its subsidiary, EDC Pagudpud Wind Power Corporation (EPWPC).

g. *Solar Energy Service Contract*

On August 6, 2014, EDC entered into SESC No. 2014-07-088 with the DOE granting EDC the right to explore and develop the Solar Energy Project.

EDC currently holds two (2) Solar Energy Service Contracts (SESC) with the DOE. The SESCs cover the following areas:

Projects	DOE Certificates of Registration
1) 4 MW Burgos, Ilocos Norte	SESC 2014-07-088 (expiring in 2039)
2) Bago City, Negros Occidental	SESC 2014-04-066 (expiring in 2039)

h. Operating and Maintenance (O&M) Agreements

O&M Agreements of FGP and FGPC

FGP and FGPC have separate O&M Agreements with SPOI mainly for the operation, maintenance, management and repair services of their respective power plants. As stated in the respective O&M Agreements of FGP and FGPC, SPOI is responsible for maintaining adequate inventory of spare parts, accessories and consumables. SPOI is also responsible for replacing and repairing the necessary parts and equipment of the power plants to ensure the proper operation and maintenance of the power plants to meet the contractual commitments of FGP and FGPC under their respective PPAs and in accordance with the Good Utility Practice.

FGP and FGPC each signed a full scope O&M agreement with SPOI. Each signed contract took effect on August 1, 2010 (the Commencement Date) and will expire on the earlier of (i) the 20th anniversary of the Commencement Date, or (ii) the satisfactory completion of the major inspections of all units of the San Lorenzo and Santa Rita power plants, in each case nominally scheduled at 200,000 equivalent operating hours, as stipulated in their respective O&M Agreements.

O&M charges include Euro, U.S. dollar and Philippine peso components. The Euro denominated charge is hedged using foreign currency forwards to minimize the risk of foreign exchange fluctuations (see Note 25). Total O&M costs (shown as part of the "Power plant operations and maintenance" in the "Costs of sale of electricity" account in the consolidated statements of income) amounted to $31.1 million in 2014, $26.2 million in 2013, and $33.9 million in 2012.

In 2013, prepaid major spare parts totaling to $80.0 million were reclassified to the "Property, plant and equipment" account as a result of the completion of the scheduled major maintenance outages of San Lorenzo and Santa Rita power plants, respectively (see Note 10). As of December 31, 2014 and 2013, certain O&M charges amounting to $43.1 million and $16.7 million, respectively, which relate to major spare parts that are expected to be replaced during the next scheduled major maintenance outage, were presented as part of the "Other noncurrent assets" account in the consolidated statements of financial position (see Note 12).

O&M Agreement of EBWPC

EBWPC will operate and maintain the wind farm under a ten-year O&M agreement with Vestas. The Vestas O&M contract is a service and energy-based availability agreement based on Vestas' AOM 5000 product. The agreement is a full-scope maintenance contract covering both scheduled and unscheduled maintenance with an energy-based availability on the wind turbines. The agreement covers the wind turbines, wind farm electrical balance-of-plant systems, the wind turbine yaw back-up generators, and the Burgos Substation.

As opposed to a traditional O&M contract that provides a guarantee that the turbines in a wind power plant are operational for a defined period of time on an annual basis (referred to as time-based availability), the AOM 5000 model provides an energy-based guarantee, which encourages the Contractor to ensure that the turbines are fully-operational when the wind is blowing.

i. Substation Interconnection Agreement

FGPC has an agreement with Meralco and NPC for: (a) the construction of substation upgrades at the NPC substation in Calaca and the donation of such substation upgrades to NPC; (b) the construction of a 35-kilometer transmission line from the power plant to the NPC substation in Calaca and subsequent donation of such transmission line to NPC; (c) the interconnection of the power plant to the NPC Grid System; and (d) the receipt and delivery of energy and capacity from the power plant to Meralco's point of receipt.

As of March 12, 2015, FGPC is still in the process of transferring the substation upgrades in Calaca, as well as the 230 kilovolts (kV) Santa Rita to Calaca transmission line, to NPC.

Maintenance services related to the transmission line are rendered by MIESCOR, a subsidiary of Meralco, on the 230 kV transmission line from the Santa Rita plant to the Calaca Substation in Batangas under the Transmission Line Maintenance Agreement. This involves the monthly payment of $0.02 million (₱0.8 million) as retainer fee and $0.08 million (₱3.4 million) for every six-month period as service fee, with both fees subject to periodic adjustment as set forth in the agreement. The amount of compensation for additional services requested by FGPC outside the scope of the agreement is subject to mutual agreement between FGPC and MIESCOR. Total operations and maintenance expense (shown as part of the "Power plant

operations and maintenance" in the "Costs of sale of electricity" account in the consolidated statements of income) amounted to $0.5 million in 2014, $0.5 million in 2013, and $0.7 million in 2012.

j. Interim Interconnection Agreement

FGP has an agreement with NPC and Meralco whereby NPC will be responsible for the delivery and transmission of all energy and capacity from FGP's power plant to Meralco's point of receipt.

k. Franchise

The Parent Company, through FGHC, has a franchise granted by the 11th Congress of the Philippines through R.A. No. 8997 to construct, install, own, operate and maintain a natural gas pipeline system for the transportation and distribution of the natural gas throughout the island of Luzon (the "Franchise"). The Franchise is for a term of 25 years until February 25, 2026. As of March 12, 2015, FGHC, through its subsidiary FG Pipeline, has an ECC for the Batangas to Manila pipeline project and has undertaken substantial pre-engineering works and design and commenced preparatory works for the right-of-way acquisition activities, among others.

l. Tax Contingencies

FGPC

Deficiency Income Tax

FGPC was assessed by the BIR on July 19, 2004 for deficiency income tax for taxable years 2001 and 2000. FGPC filed its Protest Letter with the BIR on October 5, 2004. On account of the BIR's failure to act on FGPC's Protest within the prescribed period, FGPC filed with the CTA on June 30, 2005 a Petition against the Final Assessment Notices and Formal Letters of Demand issued by the BIR. On February 20, 2008, the CTA granted FGPC's Motion for Suspension of Collection of Tax until the final resolution of the case.

In a Decision dated September 25, 2012, the 3rd Division of the CTA granted the Petition and ordered the cancellation and withdrawal of the Final Assessment Notices and Formal Letters of Demand. Subsequently, the BIR filed with the CTA *en banc* a Petition for Review dated January 16, 2013, to which FGPC filed its Comment in March 2013. The CTA *en banc* again requested both parties to submit a Memorandum not later than July 6, 2013, which FGPC complied with accordingly.

On August 14, 2013, the CTA *en banc* issued a resolution that the case is deemed submitted for decision based on the respective Memorandums. On October 7, 2014, the CTA En Banc denied the Motion for Reconsideration filed by the BIR and affirmed the tax position of FGPC mainly due to the legal infirmities on statutory waiver of prescription and validity of assessment forms issued by the BIR. On December 7, 2014, the BIR filed an appeal with the Supreme Court (SC) within the 30-day extension requested by the BIR. As of March 12, 2015, the case remains pending.

Management believes that the resolution of this assessment will not materially affect First Gen Group's consolidated financial statements.

Real Property Tax (RPT)

In June 2003, FGPC received various Notices of Assessment and Tax Bills from the Provincial Government of Batangas, through the Office of the Provincial Assessor, imposing an annual RPT on steel towers, cable/transmission lines and accessories (the T-Line) amounting to $0.2 million (₱12 million) per year. FGPC, claiming exemption from said RPT, appealed the assessment to the Provincial Local Board of Assessment Appeals (LBAA) and filed a Petition in August 2003 praying (1) that the Notices of Assessment and Tax Bills issued by the Provincial Assessor be recalled and revoked; and (2) that the Provincial Assessor drop from the Assessment Roll the 230 kV transmission lines from Sta. Rita to Calaca in accordance with Section 206 of the Local Government Code (LGC). FGPC argued that the T-Line does not constitute real property for RPT purposes, and even assuming that the T-Line is regarded as real property, FGPC is still not liable for RPT as it is NPC/TransCo, a government-owned and controlled corporation (GOCC) engaged in the generation and/or transmission of electric power, which has actual, direct and exclusive use of the T-Line. Pursuant to Section 234 (c) of the LGC, a GOCC engaged in the generation and/or transmission of electric power and which has actual, direct and exclusive use thereof, is exempt from RPT.

FGPC sought, and was granted, a preliminary injunction by the Regional Trial Court (Branch 7) of Batangas City (RTC) to enjoin the Provincial Treasurer of Batangas City from collecting the RPT pending the decision of the LBAA. Despite the injunction, the LBAA issued an Order requiring FGPC to pay the RPT within 15 days from receipt of the Order. FGPC filed an appeal before the Central Board of Assessment Appeals (CBAA) assailing the validity of the LBAA order. The CBAA in December 2006 set aside the LBAA Order and remanded the case to the LBAA. The LBAA was directed to proceed with the case on the merits without requiring FGPC to first pay the RPT on the questioned assessment. The LBAA case remains pending.

On May 23, 2007, the Province filed with the Court of Appeals (CA) a Petition for Review of the CBAA Resolution. The CA dismissed the petition in June 2007; however, it issued another Resolution in August 2007 reinstating the petition filed by the Province. In a decision dated March 8, 2010, the CA dismissed the petition for lack of jurisdiction.

In connection with the prohibition case pending before the RTC which issued the preliminary injunction, the court issued a Notice of Pre-Trial Conference setting the case for pre-trial hearing in March 2006. In February 2013 FGPC marked its Exhibits. In August 2013 FGPC received a Manifestation and Motion from the Province asking the court to dismiss the case given that the Province is willing to not collect the taxes until the resolution of the LBAA case. The motion was opposed by FGPC and denied by the RTC.

In December 2013 the proceedings were temporarily suspended given the order of the SC to the RTC to transfer the seat of Branch 7. Proceedings were revived in August 2014, during which the Province stated that it was open to enter into a compromise agreement. The next hearing is scheduled on March 26, 2015.

The Province filed a Motion to Dismiss in May 2011, which was denied by the RTC in an Order dated November 2011. The RTC directed FGPC to amend its petition to include the provincial assessor as a party respondent. The Province filed a Motion for Reconsideration of this Order. The RTC denied the motion and required FGPC to implead the provincial assessor in the petition. On November 21, 2012, FGPC filed its Compliance with Amended Petition to implead the Provincial Assessor of Batangas. The Province filed a Manifestation and Motion



in July 2013, which was denied by the court in an Order dated September 2013. In an Order dated November 19, 2013, the RTC gave notice that the seat of their Branch 7 will be transferred to the Regional Trial Court of Tanauan City, Batangas, and that hearings on all cases pending before the RTC will be held in abeyance until further notice. No further notices have been received from the Court as of this date.

FG Hydro

On December 16, 2013, FG Hydro received a Formal Letter of Demand and FAN from the BIR covering the taxable year 2009 for the alleged deficiency income tax and expanded withholding tax, including interest and penalties, totaling to ₱123.6 million. On January 15, 2014 and March 14, 2014, FG Hydro submitted a protest to the FAN and supporting documents, respectively, pursuant to Section 228 of the National Internal Revenue Code. On May 26, 2014, FG Hydro settled the deficiency income tax and expanded withholding tax based on the Final Decision on Disputed Assessment (FDDA) from the BIR with a reduced deficiency income tax and expanded withholding tax, including interest and penalties, totaling to ₱10.6 million.

Non-operating subsidiaries

On January 30, 2014 and February 10, 2014, certain subsidiaries of the Parent Company received a FDDA from the BIR covering the conglomerate audit for taxable year 2009 for the alleged deficiency documentary stamp tax on intercompany advances totaling to ₱0.6 million, including interest and penalties. In the said FDDAs, the companies were given thirty (30) days from date of receipt to appeal with the CTA or to the Commissioner of Internal Revenue through request for reconsideration. Subsequently, on March 3, 2014, each subsidiary filed their respective Petition for Review with the CTA in relation to the FDDAs issued by the BIR against the various subsidiaries of the Parent Company. On June 2014, the said subsidiaries settled the corresponding deficiency documentary stamp tax and filed their respective Motions to Withdraw Petitions which were granted by the CTA in June and July 2014.

m. Lease Commitments

First Gen Group has a non-cancelable lease agreement with FPRC on its occupied office space. The term of the lease is for a period of five years retroactive to August 1, 2003 or upon occupancy of the leased premises, whichever is earlier, and automatically expires on July 31, 2007. The lease agreement includes a clause to enable upward revision of the rental charged at a rate agreed-upon by First Gen Group and FPRC at the end of each year. The lease agreement with FPRC was renewed for one year from August 1, 2014 to July 31, 2015.

FGPC has a non-cancelable annual offshore lease agreement with the DENR for the lease of a parcel of land in Sta. Rita, Batangas where the power plant complex is located. The term of the lease is for a period of 25 years starting May 26, 1999 for a yearly rental of $0.05 million (₱3.0 million) and renewable for another 25 years at the end of the term. The land will be appraised every ten (10) years and the annual rental after every appraisal shall not be less than 3% of the appraised value of the land plus 1% of the value of the improvements, provided that such annual rental cannot be less than $0.05 million (₱3.0 million).

FG Bukidnon has a non-cancelable lease agreement with PSALM on the land occupied by its power plant. The term of the lease is for a period of 20 years commencing on March 29, 2005, renewable for another period of 10 years or the remaining corporate life of PSALM, whichever is shorter. The rental paid in advance by FG Bukidnon for the entire term is $0.02 million (₱1.12 million).



EDC's lease commitments pertain to rentals on the drilling rigs, head office and various office space and warehouse for steam/electricity projects in Leyte, Northern Negros, Albay, Sorsogon, Southern Negros and Mindanao. Rent expense amounted to $13.77 million (₱610.9 million), $11.8 million (₱498.2 million), and $14.2 million (₱601.3 million) in 2014, 2013 and 2012, respectively.

As of December 31, 2014 and 2013, future minimum rental payments under the non-cancelable operating leases are as follows:

	2014	2013
Within one year	**$2,437**	$2,699
After one year but not more than five years	**2,264**	5,102
After five years	**250**	329
	$4,951	$8,130

n. Other Legal Proceedings

West Tower Condominium Corporation, et al. vs.
First Philippine Industrial Corporation, et al.
G.R. No. 194239, Supreme Court of the Philippines

On November 15, 2010, a Petition for the Issuance of a *Writ of Kalikasan* was filed before the SC by the West Tower Condominium Corporation, et al., against respondents First Philippine Industrial Corporation (FPIC), the Parent Company, their respective boards of directors and officers, and John Does and Richard Roes. The petition was filed in connection with the oil leak which is being attributed to a portion of FPIC's white oil pipeline located in Bangkal, Makati City. The oil leak was found in the basement of the West Tower Condominium.

The petition was brought by the West Tower Condominium Corporation purportedly on behalf of its unit owners and in representation of the inhabitants of Barangay Bangkal, Makati City. The petitioners sought the issuance of a *Writ of Kalikasan* to protect the constitutional rights of the Filipino people to a balanced and healthful ecology, and prayed that the respondents permanently cease and desist from committing acts of negligence in the performance of their functions as a common carrier; continue to check the structural integrity of the entire 117-km white oil pipeline and replace the same; make periodic reports on findings with regard to the said pipeline and their replacement of the same; be prohibited from opening the white oil pipeline and allowing its use until the same has been thoroughly checked and replaced; rehabilitate and restore the environment, especially Barangay Bangkal and West Tower Condominium, at least to what it was before the signs of the leak became manifest; open a special trust fund to answer for similar contingencies in the future; and be temporarily restrained from operating the said pipeline until final resolution of the case.

On November 19, 2010, the SC issued a *Writ of Kalikasan* with Temporary Environmental Protection Order (TEPO) directing the respondents to: (i) make a verified return of the Writ within a non-extendible period of ten days from receipt thereof; (ii) cease and desist from operating the pipeline until further orders from the court; (iii) check the structural integrity of the whole span of the pipeline, and in the process apply and implement sufficient measures to prevent and avert any untoward incident that may result from any leak in the pipeline; and (iv) make a report thereon within 60 days from receipt thereof.



The Parent Company and its impleaded directors and officers filed a verified Return in November 2010, and a Compliance in January 2011, explaining that the Parent Company is not the owner and operator of the pipeline, and is not involved in the management, day-to-day operations, maintenance and repair of the pipeline. For this reason, neither the Parent Company nor any of its directors and officers has the capability, control, power or responsibility to do anything in connection with the pipeline, including to cease and desist from operating the same. In January 2011, the SC noted and accepted the Return and Compliance filed by the Parent Company.

In January 2011, FPIC asked the SC to temporarily lift the Writ for the conduct of a pressure-controlled leak test for the entire 117-kilometer white oil pipeline, as recommended by the international technical consultant of the DOE. On November 22, 2011, the SC issued a Resolution ordering the temporary lifting of the TEPO for a period of 48 hours. The DOE and its international technical consultant, SGS Philippines, Inc., supervised the leak test activities which were witnessed by representatives from the University of the Philippines National Institute of Geological Sciences, UP Institute of Civil Engineering, and the parties.

For the purpose of expediting the proceedings and the resolution of all pending incidents, the SC reiterated its order to remand the case to the Court of Appeals to conduct subsequent hearings within a period of 60 days, and after trial, to render a report to be submitted to the SC. The SC also clarified that the black oil pipeline is not included in the Writ with TEPO.

On December 21, 2012, the former 11th Division of the Court of Appeals rendered its Report and Recommendation in which the following recommendations were made to the SC: (i) that certain persons/organizations be allowed to be formally impleaded as petitioners subject to the submission of the appropriate amended petition; (ii) that FPIC be ordered to submit a certification from the DOE that the white oil pipeline is safe for commercial operation; (iii) that the petitioners' prayer for the creation of a special trust fund to answer for similar contingencies in the future be denied for lack of sufficient basis; (iv) that respondent Parent Company not be held solidarily liable under the TEPO; and (v) that without prejudice to the outcome of the civil and criminal cases filed against respondents, the individual directors and officers of FPIC and Parent Company not be held liable in their individual capacities.

Petitioners filed a Motion for Partial Reconsideration in January 2013, in which they prayed, among others, that the Department of Science and Technology (DOST), specifically its Metal Industry Research and Development Center, be tasked to chair the monitoring of FPIC's compliance with the directives of the court and issue the certification required to prove that the pipeline is safe to operate before commercial operation is resumed; that stakeholders be consulted before a certification is issued; that a trust fund be created to answer for future contingencies; and that Parent Company and the directors and officers of Parent Company and FPIC also be held liable under the Writ of Kalikasan and the TEPO.

In a Compliance dated January 25, 2013, FPIC submitted to the SC a Certification signed by DOE Secretary Carlos Jericho L. Petilla stating that the black oil pipeline is safe for commercial operation.

In a Resolution dated July 30, 2013, the SC adopted the CA's recommendation that FPIC secure a DOE certification stating that the pipeline is already safe for commercial operation before the white oil pipeline may resume its operations.



FPIC filed an application for DOE's issuance of the required certification, and on October 25, 2013 the DOE issued a certification that the white oil pipeline is safe to return to commercial operations. FPIC submitted the DOE certification to the SC on October 29, 2013. As of March 12, 2015, the final resolution of the Writ remains pending with the SC.

West Tower Condominium Corporation, et al. vs.
First Philippine Industrial Corporation, et al.
Civil Case No. 11-256, Regional Trial Court, Makati Branch 58

On March 24, 2011, a civil case for damages was filed by the West Tower Condominium Corporation and some residents of the West Tower Condominium against FPIC, the FPIC directors and officers, the Parent Company, Pilipinas Shell Petroleum Corporation, and Chevron Philippines, Inc. before the Makati City RTC. In their complaint, the Plaintiffs alleged that FPIC, its directors and officers, and the Parent Company violated Republic Act No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), RA 8749 (Philippine Clean Air Act of 1999) and Its Implementing Rules and Regulations, and RA 9275 (Philippine Clean Water Act of 2004). The complaint sought payment by the Defendants of actual damages comprising incurred rentals for alternative dwellings, incurred additional transportation and gasoline expenses and deprived rental income; recompense for diminished or lost property values to enable the buying of new homes; incurred expenses in dealing with the emergency; moral damages; exemplary damages; a medical fund; and attorney's fees.

The Parent Company filed its Answer in May 2011, in which it was argued that the case is not an environmental case under the Rules of Procedure for Environmental Cases, but an ordinary civil case for damages under the Rules of Court for which the appropriate filing fees should be paid before the court can acquire jurisdiction thereof. In an Order dated August 22, 2011, Makati City RTC (Branch 158) Judge Eugene Paras ruled that the complaint is an ordinary civil action for damages and that the Plaintiff should pay the appropriate filing fees in accordance with the Rules of Court within 10 days from receipt of the Order. The other individual plaintiffs were ordered dropped as parties in the case. The Plaintiffs filed a Motion to Inhibit Judge Paras as well as a Motion for Reconsideration of the Order. In an Order dated October 17, 2011, the court reiterated that it has no jurisdiction over the case and ordered the referral of the case to the Executive Judge for re-raffle.

In an Order dated December 1, 2011, Judge Elpidio Calis of the Makati City RTC (Branch 133) declared that the records of the case have been transferred to his court. In an Order dated March 29, 2012, Judge Calis denied the plaintiffs' Motion for Reconsideration for lack of merit, and ordered the plaintiffs to pay the appropriate filing fees within ten (10) days from receipt of the Order, with a warning that non-compliance will constrain the court to dismiss the case for lack of jurisdiction. Instead of paying the filing fees, the plaintiffs filed a Petition for Certiorari with the CA to nullify the order of Branch 133.

In a resolution dated June 30, 2014, the CA denied the petition of West Tower and affirmed the trial court's recognition of the case as being an ordinary action for damages. The CA, however, also ruled that the individual residents who joined West Tower in the civil case need not file separate cases, but instead can be joined as parties in the present case. West Tower and FPIC each filed a motion for partial reconsideration, with West Tower arguing that the case is an ordinary action for damages, and FPIC assailing the ruling that the individual



residents can be joined as parties in the present case. Both motions were denied in a CA resolution dated December 11, 2014. On February 20, 2015, FPIC filed before the SC a Petition for Review of the CA's denial of its Motion for Partial Reconsideration. As of March 12, 2015, the case remains pending.

West Tower Condominium Corporation vs. Leonides Garde, et al.
NPS No. XV-05-INQ-11J- 02709
Office of The City Prosecutor
Makati City

This is a criminal complaint for negligence under Article 365 of the Revised Penal Code against FPIC directors and some of its officers, as well as directors of the Parent Company, Pilipinas Shell Petroleum Corporation and Chevron Philippines, Inc.

On December 14, 2011, a Counter-Affidavit with Verified Manifestation was filed by Francis Giles B. Puno, Director, President and Chief Operating Officer of the Parent Company and one of the Respondents. The other Respondent-Directors of the Parent Company verified the Verified Manifestation and adopted the factual allegations and defenses in the Counter-Affidavit of Respondent Puno.

Makati City Prosecutor Feliciano Aspi *motu proprio* (on his own) inhibited himself from the case on the ground that he had previously worked for the counsel of the Parent Company. Complainant then filed with the Department of Justice (DOJ) a petition for change of venue, which petition was granted by way of Department Order No. 63 dated January 18, 2012, which designated Manila Senior Assistant City Prosecutor Raymunda Apolo as special investigating prosecutor for the case.

In an Order dated February 3, 2012, Makati City Prosecutor Aspi ordered the consolidation of the case with another case entitled Anthony M. Mabasa et al. vs. Roberto B. Dimayuga et al. for violation of Article 183 of the Revised Penal Code. The Order stated that the consolidation is being made upon the recommendation of Makati City Assistant Prosecutor Ma. Agnes Alibanto.

On February 17, 2012, Respondent-Directors of the Parent Company filed a Motion for Reconsideration of the Order dated January 18, 2012 which granted Complainant's petition for a change of venue. As of March 12, 2015, the case remains pending.

Bayan Muna Representatives, et al. vs. ERC and Meralco (G.R. No. 210245)
NASECORE, et al. vs. Meralco, ERC and DOE (G.R. No. 210255)
Meralco vs. Philippine Electricity Market Corporation (PEMC), et al (G.R. No. 210502)
Supreme Court
Manila

In these cases the Supreme Court (SC) issued separate Temporary Restraining Orders (TROs) restraining Meralco from increasing the generation charge rate it charges to its consumers during the November 2013 billing period, and similarly restraining PEMC and other generation companies, including certain subsidiaries of First Gen, namely, FGPC, FGP, FG Hydro, BGI, and BEDC, from demanding and collecting from Meralco the deferred amounts representing the costs raised by the latter. The TROs will remain effective until April 22, 2014, unless renewed or lifted ahead of such date.



On February 26, 2014, FGPC, FGP, FG Hydro, BGI and BEDC filed with the SC a Memorandum with Motion to Lift TRO. It is First Gen Group's position that its right to the payment of the generation charges owed by Meralco is neither dependent nor conditional upon Meralco's right to collect the same from its consumers. In the case of FGPC and FGP, Meralco's obligation to pay is contractual and thus governed by the terms and conditions of their respective PPAs. Ultimately, Meralco is bound to comply with its contractual obligations to FGPC and FGP, whether via the pass-through mechanism or some other means. On April 22, 2014, the subject TRO was extended indefinitely and until further orders from the SC.

28. **Other Matters**

FG Hydro

a. O&M Agreement

In 2006, FG Hydro entered into an O&M Agreement with the NIA, with the conformity of NPC. Under the O&M Agreement, NIA will manage, operate, maintain and rehabilitate the Non-Power Components of the PAHEP/MAHEP in consideration for a service fee based on actual cubic meter of water used by FG Hydro for power generation.

In addition, FG Hydro will provide for a Trust Fund amounting to $2.2 million (₱100.0 million) within the first two years of the O&M Agreement. The amortization for the Trust Fund is payable in 24 monthly payments starting November 2006 and is billed by NIA in addition to the monthly service fee. The Trust Fund has been fully funded as of October 2008.

The O&M Agreement is effective for a period of 25 years commencing on November 18, 2006 and renewable for another 25 years under the terms and conditions as may be mutually agreed upon by both parties.

b. Ancillary Services Procurement Agreement (ASPA)

FG Hydro entered into an agreement with the NGCP on February 23, 2011 after being certified and accredited by NGCP as capable of providing Contingency Reserve Service, Dispatchable Reserve Service, Reactive Power Support Service and Black Start Service. Under the agreement, FG Hydro through the PAHEP facility shall provide any of the above-stated ancillary services to NGCP.

The ASPA is effective for a period of three (3) years, commencing on February 23, 2011 and shall be automatically renewed for another three (3) years after the end of the original term subject to certain conditions as provided in the ASPA.

The ASPA was provisionally approved by the ERC on June 6, 2011. However, ERC altered the rates that FG Hydro can charge NGCP, and likewise imposed caps and floors to the various ancillary services that FG Hydro can provide to NGCP.

As provided for in the ASPA, the agreement was automatically renewed subject to the same terms of the agreement.

c. Memorandum of Agreement with NGCP (MOA with NGCP)

FG Hydro entered into a MOA with NGCP on August 31, 2011 for the performance of services on the operation of the PAHEP 230 kV switchyard and its related appurtenances (Switchyard).

NGCP shall pay FG Hydro a monthly fixed operating cost of ₱0.1 million and monthly variable charges representing energy consumed at the Switchyard.

The MOA is effective for a period of five (5) years and renewable for another three (3) years under such terms as maybe agreed by both parties.

FG Bukidnon

On October 23, 2009, FG Bukidnon entered into a Hydropower Service Contract (HSC) with the DOE, which grants FG Bukidnon the exclusive right to explore, develop, and utilize the hydropower resources within the Agusan river mini-hydro contract area.

FG Bukidnon shall furnish the services, technology, and financing for the conduct of its hydropower operations in the contract area in accordance with the terms and conditions of the HSC. The HSC is effective for a period of 25 years from the date of execution, or until October 2034. Pursuant to the RE Law and the HSC, the National Government and Local Government Units shall receive the Government's share equal to 1.0% of FG Bukidnon's preceding fiscal year's gross income for the utilization of hydropower resources within the Agusan mini-hydro contract area.

FG Mindanao

On October 23, 2009, FG Mindanao also signed five HSCs with the DOE in connection with the following projects: (1) Puyo River Hydropower Project in Jabonga, Agusan del Norte; (2) Cabadbaran River Hydropower Project in Cabadbaran, Agusan del Norte; (3) Bubunawan River Hydropower Project in Baungon and Libona, Bukidnon; (4) Tumalaong River Hydropower Project in Baungon, Bukidnon; and (5) Tagoloan River Hydropower Project in Impasugong and Sumilao, Bukidnon. The five (5) HSCs give FG Mindanao the exclusive right to explore, develop, and utilize renewable energy resources within their respective contract areas, and will enable FG Mindanao to avail itself of both fiscal and non-fiscal incentives pursuant to the RE Law.

The pre-development stage under each of the HSCs is two years from the time of execution of said contracts (the "Effective Date") and can be extended for another one year if FG Mindanao has not been in default of its exploration or work commitments and has provided a work program for the extension period upon confirmation by the DOE. On October 11, 2011, FG Mindanao requested the DOE for its confirmation of the one (1) year extension of the pre-development stage pursuant to the HSCs for these 5 hydro projects. Each of the HSCs also provides that upon submission of declaration of commercial viability, as confirmed by the DOE, it is to remain in force during the remaining life of the of 25-year period from the Effective Date.

On July 2, 2013 and July 3, 2013, FG Mindanao obtained from the DOE the Certificate of Confirmation of Commerciality confirming the conversion of the five (5) HSCs from Pre-development to Development stage.

On August 5, 2013, FG Mindanao entered into respective Deeds of Assignments with FGen Bubunawan, FGen Puyo, FGen Cabadbaran, FGen Tagoloan and FGen Tumalaong to assign and transfer FG Mindanao's full rights and obligations over the five (5) HSCs. On March 11, 2014, the DOE approved the assignment of Puyo, Bubunawan and Tagoloan hydroprojects was approved and issued the corresponding Certificates of Registration and Certificates of Confirmation of Commerciality under FGen Puyo, FGen Bubunawan, and FGen Tagoloan, respectively. Consequently, on October 27, 2014, BOI approved the assignment of Puyo and Bubunawan hydropower projects and issued the corresponding Certificates of Registration under FGen Puyo and FGen Bubunawan, respectively.

FG Mindanao submitted its declaration of commerciality for each of the Puyo River Hydropower Project and the Bubunawan River Hydropower Project on March 12, 2012, for Cabadbaran River Hydropower Project on August 16, 2012, and for each of the Tagoloan River Hydropower Project and the Tumalaong River Hydropower Project on October 22, 2012. On June 27, 2013, the BOI has issued the Certificate of Registration to FG Mindanao as a RE Developer of hydropower energy resources for Bubunawan, Cabadbaran and Puyo projects pursuant to the RE Law.

FG Prime and FG Premier

On March 29, 2012, the DOE awarded to FG Prime and FG Premier an HSC to develop a 300 MW Pump Storage Hydroelectric Power Plant in Pantabangan, Nueva Ecija and the 300 MW Angat (Pump Storage) Hydro Project in Norzagaray, Bulacan, respectively. The respective HSCs provide the companies with the exclusive right to explore, develop, and utilize renewable energy resources within FG Prime's and FG Premier's respective contract areas, and will enable FG Prime and FG Premier to avail itself of both fiscal and non-fiscal incentives pursuant to the RE Law. On April 22, 2013, FG Prime and FG Premier each engaged an international engineering consultancy firm to conduct feasibility study for their respective projects. After the site selection review, the consultancy firm recommended to FG Prime to pursue the development of an alternative project site, while the consultancy firm has recommended to FG Premier to pursue the development of the identified initial Project site. The DOE has already approved FG Prime's request to amend the contract area under the HSC. In 2014, FG Prime continued to conduct preliminary engineering surveys and investigations based on the amended contract area in the new Project site. With the support of First Gen, FG Premier continued to conduct preliminary engineering surveys and investigations on the 300 MW Angat Pump Storage in 2014.

The pre-development stage under the HSC is two years from the time of execution of the said contract. It can be extended for another year provided that the companies have not been in default of its exploration or work commitments, and have submitted a work program for the extension period, subject to confirmation of the DOE. On February 18, 2014, FG Prime and FG Premier each requested for a one-year extension of the pre-development stage. The respective requests for extension were approved by the DOE on October 13, 2014.

FG Luzon

On March 10, 2011, a Memorandum of Agreement ("MOA") covering the development of the proposed Balintingon Reservoir Multi-Purpose Project ("BRMPP") was signed among the Parent Company's wholly owned subsidiary, FG Luzon, the Province of Nueva Ecija and the Municipality of General Tinio. The project will involve the development construction and operation of a new hydro reservoir and a new hydroelectric power plant in the Municipality of General Tinio, Nueva Ecija for purposes of power generation, irrigation and domestic water supply.

A MOA was executed on November 16, 2011 between FG Luzon and NIA for the conduct of a comprehensive study on the economic, financial and technical viability of the Project.

On March 29, 2012, the Project was awarded an HSC under the Department of Energy Certificate of Registration No. HSC 2012-01-194.

FNPC

On December 16, 2013, FNPC, the project company of the San Gabriel project, signed the following contracts for the development of an approximately 450 MW (nominal) net capacity combined-cycle gas-fired power plant to be located in Santa Rita, Batangas City and adjacent to the existing Santa Rita and San Lorenzo plants. The San Gabriel project, which is intended to serve the mid-merit and, potentially, the base load requirements of the Luzon Grid, is expected to be in commercial operations in March 2016.

Salient points of the FNPC contracts are as follows:

Contract	Counterparty	Salient points
Equipment Supply Contract	Siemens AG	This contract pertains to the engineering, design and supply of equipment composed mainly of the Siemens 8000H gas turbine, steam turbine, Heat Recovery Steam Generator, generator, control systems, high voltage equipment, condenser and auxiliaries.
Construction Services Contract	Siemens, Inc.	This contract pertains to the design, installation, testing and commissioning of the San Gabriel power plant.
Operation and Maintenance Agreement	Siemens Power Operations, Inc. (SPOI)	This agreement pertains to the 10-year operation, maintenance, management and repair services of San Gabriel I power plant. SPOI is responsible for the day-to-day administration of the power plant, maintaining adequate inventory of spare parts, accessories and consumables, and shall operate, maintain and repair the plant in accordance with Good Utility Practice.
Service Agreement with the Employer's Representative	Parsons Brinckerhoff Philippines, Inc.	PB Philippines, Inc. will act as the Employer's Representative for FNPC in the implementation of the Equipment Supply and Construction Services Contracts with Siemens. The Employer's Representative manages the two contracts for FNPC such that San Gabriel power plant is built according the specifications and guarantees in the contracts.

FGES
On May 16, 2013, FGES entered into a RSC with AGC for a 2 MW monthly supply of electric energy from June 26, 2013 to January 25, 2016. On May 20, 2013, FGES has likewise entered into a RSC with another contestable customer, TCPI for a 6 MW monthly supply of electric energy from June 26, 2013 until January 25, 2016. Under the respective RSCs, the basic energy charges for each billing period are inclusive of the generation charge and retail supply charge.

Electric Power Industry Reform Act (EPIRA)
R.A. No. 9136, otherwise known as the EPIRA, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector, which include among others: the functional unbundling of the generation, transmission, distribution and supply sectors; the privatization of the generating plants and other disposable assets of the NPC, including its contracts with IPP; the unbundling of electricity rates; the creation of a WESM; and the implementation of open and nondiscriminatory access to transmission and distribution systems.

Wholesale Electricity Spot Market
WESM Luzon has already been commercially operating for almost 9 years since its commencement on June 26, 2006. Annual average Luzon spot prices ranged from approximately ₱4.76/kWh, ₱3.89/kWh, and ₱4.98/kWh for 2012, 2013, and 2014 respectively. It must be noted, however, that the drop in 2014 WESM prices is attributable to the voiding of WESM prices for the November to December 2013 billing period.

On the other hand, WESM Visayas was operated and integrated with the Luzon grid on December 26, 2010. Annual average Visayas spot prices ranged from approximately ₱4.72/kWh, ₱3.82/kWh, and ₱3.97/kWh for 2012, 2013, and 2014 respectively.

Mindanao does not have a WESM yet. However, last September 26, 2013, the Interim Mindanao Electricity Spot Market (IMEM) was commercially operated. In contrast to the WESM in Luzon and Visayas, IMEM will be a day-ahead market intended to draw out uncontracted generation capacities and augment the supply, as well as attract the voluntary curtailment of load customers to lower the demand. The IMEM is seen as a medium-term and interim solution to address the supply deficiency in Mindanao, until the entry of new capacities in Mindanao by 2015. The IMEM also serves as a transition towards WESM in Mindanao as the grid is expected to be ready for actual WESM operations.

Retail Competition and Open Access
The EPIRA provides for a system of Retail Competition and Open Access (RCOA). With RCOA, the end users will be given the power to choose its energy source. Prior to RCOA, distribution utilities procured power supply in behalf of its consumers. With RCOA, the Retail Electricity Supplier (RES) chosen by the consumer will do the buying and selling of power and the distribution utility shall deliver the same.

RCOA shall be implemented in phases. During the 1st phase only end users with an average monthly peak demand of 1 MW for the 12 months immediately preceding the start of RCOA, shall have a choice of power supplier, as a contestable customer. Later, in the 2nd phase, the peak demand threshold will be lowered to 0.75 MW, and will continue to be periodically lowered until the household demand level is reached.



In a joint statement issued by the DOE and ERC, dated September 27, 2012, a new timeline for the 1st phase implementation of RCOA was prescribed. December 26, 2012 was marked as the Open Access date. This signaled the beginning of the six-month transition period until June 25, 2013. The transition period shall involve the contracting of the retail supply contracts, metering installations, registration and trainings, trial operations by March 2013, and supplier of last resort service or disconnection.

The initial commercial operations of the RCOA commenced on June 26, 2013. For this, ERC issued Resolution No. 11, Series of 2013 providing that a contestable customer can stay with its respective distribution utility until such time that it is able to find a RES. In case a contestable customer decides to participate in the competitive retail market, it should advise the distribution utility that it will be leaving the distribution utility's regulated service at least 60 days prior to the effectivity of its RSC with a RES.

The current RCOA is governed by the Transitory Rules for the Implementation of Open Access and Retail Competition (ERC Resolution No. 16, Series of 2012) that was established last December 17, 2012 to ensure the smooth transition from the existing structure to a competitive market.

Proposed Amendments to the EPIRA

Below are proposed amendments to the EPIRA that, if enacted, may have a material effect on First Gen Group's electricity generation business, financial condition and results of operations.

In the Philippine Congress, pending for committee approval are:

1. Senate Bill (SB) No. 2167: An Act Amending Section 47 of Republic Act No. 9136, Otherwise Known As the Electric Power Industry Reform Act
2. Senate Bill (SB) No. 2059: An Act Amending Republic Act No. 9136, Otherwise Known As the Electric Power Industry Reform Act
3. House Bill (HB) No. 4822: An Act Amending Republic Act No. 9136 or the Electric Power Industry Reform Act (EPIRA) and Providing for Needed Additional Reforms in the Energy Sector for the Protection of Electricity Consumers Against Market Power Abuse and Unwarranted Power Rates Increases, And For Other Purposes
4. House Bill (HB) No. 4479: An Act Amending Certain Provisions of Republic Act No. 9136 Otherwise Known as an Act Ordaining Reforms in The Electric Power Industry or EPIRA and for Other Purposes.
5. House Bill (HB) No. 3958: An Act Amending Republic Act No. 9136, Otherwise Known as the Electric Power Industry Reform Act of 2001 or EPIRA, and for Other Purposes
6. Joint Resolution Authorizing The President Of The Philippines, His Excellency Benigno S. Aquino III, To Effectively Address The Projected Electricity Imbalance In The Luzon Grid From March 1, 2015 To July 31, 2015, And Providing The Terms And Conditions Therefore

The aforementioned bills passed their respective first readings and are currently being deliberated in the committees.

First Gen Group cannot provide any assurance whether these proposed amendments will be enacted in their current form, or at all, or when any amendment to the EPIRA will be enacted. Proposed amendments to the EPIRA, including the above bills, as well as other legislation or regulation could have a material impact on the First Gen Group's business, financial position and financial performance.



Certificates of Compliance

FGP, FGPC, FG Hydro and FG Bukidnon have been granted Certificates of Compliance (COCs) by the ERC for the operation of their respective power plants on September 14, 2005, November 5, 2003, June 3, 2008 and February 16, 2005, respectively. The COCs, which are valid for a period of 5 years, signify that the companies in relation to their respective generation facilities have complied with all the requirements under relevant ERC guidelines, the Philippine Grid Code, the Philippine Distribution Code, the WESM rules, and related laws, rules and regulations. Subsequently, FGP, FGPC, FG Hydro and FG Bukidnon successfully renewed their relevant COCs on September 6, 2010, October 29, 2013, December 1, 2010, and February 8, 2010, respectively. Such COCs are valid for a period of 5 years from the date of issuance.

FGES has been granted the Wholesale Aggregator's Certificate of Registration on May 17, 2007, effective for a period of five years, and the RES License on February 27, 2008, effective for a period of three years. Subsequently, FGES applied for the renewal of its RES License on May 9, 2011. The ERC approved the renewal which is effective for a period of five years.

Pursuant to the provisions of Section 36 of the EPIRA, Electric Power Industry Participants prepare and submit for approval of the ERC their respective Business Separation and Unbundling Plan (BSUP) which requires them to maintain separate accounts for, or otherwise structurally and functionally unbundle, their business activities.

Since each of FGP, FGPC, FG Bukidnon and FG Hydro is engaged solely in the business of power generation, to the exclusion of the other business segments of transmission, distribution, supply and other related business activities, compliance with the BSUP requirement on maintaining separate accounts is not reasonably practicable. Based on assessments of FGP, FGPC, FG Bukidnon, FG Hydro and FGES, they are in the process of complying with the provisions of the EPIRA and its IRR.

Clean Air Act

On November 25, 2000, the IRR of the Philippine Clean Air Act (PCAA) took effect. The IRR contain provisions that have an impact on the industry as a whole, and on FGP and FGPC in particular, that need to be complied with within 44 months (or July 2004) from the effectivity date, subject to approval by the DENR. The power plants of FGP and FGPC use natural gas as fuel and have emissions that are way below the limits set in the National Emission Standards for Sources Specific Air Pollution and Ambient Air Quality Standards. Based on FGP's and FGPC's initial assessments of the power plants' existing facilities, the companies believe that both are in full compliance with the applicable provisions of the IRR of the PCAA.

29. Events After the Financial Reporting Date

Parent Company

On January 20, 2015, the Parent Company authorized the issuance and sale of an aggregate of 297,029,800 common stocks to be taken from its unissued capital stock and treasury stock at an identical issue price of ₱25.25 per share (the "Offer Price"). The price represents a 2.9 % discount to the last traded price of ₱26.00 per share. The placement was conducted via an accelerated bookbuilding process.

On March 12, 2015, the BOD of the Parent Company approved the following amendments/matters to Article Seventh of the Parent Company's Amended Articles of Incorporation:

- to create 160 million Series "H" preferred stocks with a par value of ₱10 a share with the following features: issue value and dividend rate to be determined by the BOD at the time of issuance, entitled to cumulative dividends, non-voting, non-participating, redeemable at the option of the Parent Company and in the event of liquidation, dissolution, distribution of assets or winding-up of the Parent Company shall be entitled to be paid at their issue value plus any accrued and unpaid dividends thereon;

- to increase the authorized capital stock from ₱8,600.0 million to ₱10,200.0 million; and,

- to file the corresponding amendments to Article Seventh of the Parent Company's Amended Articles of Incorporation to reflect the above items.

EDC and subsidiaries

On March 6, 2015, EDC declared cash dividends amounting to $43.0 million (₱1,900.0 million) to its common stockholders and $0.2 million (₱7.5 million) to its preferred stockholder of record as of March 20, 2015 and payable on or before April 16, 2015.

On January 8, 2015, FG Hydro declared cash dividends amounting to $7.2 million (₱320.0 million) to its common stockholders of record as of January 15, 2015 and payable on or before January 23, 2015.

On March 6, 2015, EDC was authorized to undertake a 2-year share buy-back program, authorizing its management to buy at its discretion from the market EDC's shares up to an aggregate value of Pesos Four Billion (₱4,000,000,000.00) worth of the EDC's common shares. This is part of the continuing commitment to utilize some of its cash, from time to time, for the benefit of its shareholders/ employees. The program will be executed through the open market by means of the trading facilities of the PSE, and implemented by the VP/Treasurer/CFO. At EDC's price of ₱8.86 per share, the ₱4.0 billion is equivalent to approximately 2.4 % of EDC's total outstanding common stocks. The period will commence on March 15, 2015 and will conclude on March 14, 2017.

On March 6, 2015, GCGI completed the execution of separate loan agreements with Asia United Bank Corporation, BPI, BDO, DBP, Landbank, RCBC, Robinsons Bank Corporation, and Union Bank for the total amount of ₱8.5 billion.

First Gen Corporation
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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

March 12, 2015

Securities and Exchange Commission
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

The management of First Gen Corporation (the "Company") is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014 and 2013, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders has examined the financial statements of the Company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Federico R. Lopez
Chairman and Chief Executive Officer

Francis Giles B. Puno
President and Chief Operating Officer

Emmanuel P. Singson
SVP, CFO and Treasurer

First Gen Corporation

Parent Company Financial Statements
December 31, 2014 and 2013
(In U.S. Dollars)

and

Independent Auditors' Report



SGV
Building a better working world

A member firm of Ernst & Young Global Limited

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1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
First Gen Corporation

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of First Gen Corporation, which comprise the parent company statements of financial position as at December 31, 2014 and 2013, and the parent company statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of these parent company financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these parent company financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the parent company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of First Gen Corporation as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 21 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of First Gen Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ladislao Z. Avila, Jr.
Partner
CPA Certificate No. 69099
SEC Accreditation No. 0111-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 109-247-891
BIR Accreditation No. 08-001998-43-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751254, January 5, 2015, Makati City

March 12, 2015

FIRST GEN CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

(Amounts in U.S. Dollars and in Thousands)

	December 31	
	2014	**2013**
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 18 and 19)	**$198,462**	$305,825
Due from related parties (Notes 14, 18 and 19)	**40,328**	50,036
Other current assets (Notes 6, 14, 18 and 19)	**6,401**	5,368
Total Current Assets	**245,191**	361,229
Noncurrent Assets		
Investments and deposits (Notes 7 and 14)	**2,453,351**	2,315,579
Property and equipment (Notes 8 and 15)	**971**	932
Other noncurrent assets (Note 16)	**2,108**	324
Total Noncurrent Assets	**2,456,430**	2,316,835
TOTAL ASSETS	**$2,701,621**	$2,678,064
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 9, 11, 18 and 19)	**$8,785**	$9,535
Dividends payable (Notes 12, 18 and 19)	**20,056**	20,202
Due to related parties (Notes 14, 18 and 19)	**134,042**	109,090
Current portion of:		
Long-term debts (Notes 11, 18 and 19)	**3,595**	2,101
Advances from subsidiaries (Notes 14, 18 and 19)	**40,989**	50,497
Total Current Liabilities	**207,467**	191,425
Noncurrent Liabilities		
Long-term debts - net of current portion (Notes 11, 18 and 19)	**388,081**	391,413
Advances from subsidiaries - net of current portion (Notes 14, 18 and 19)	**443,175**	534,182
Net retirement benefits liability (Note 16)	**–**	293
Total Noncurrent Liabilities	**831,256**	925,888
Total Liabilities	**1,038,723**	1,117,313
Equity (Notes 12 and 13)		
Redeemable preferred stock	**69,345**	69,345
Common stock	**74,728**	74,728
Additional paid-in capital	**1,052,282**	1,052,282
Retained earnings	**519,530**	417,383
Cost of common stock held in treasury	**(52,987)**	(52,987)
Total Equity	**1,662,898**	1,560,751
TOTAL LIABILITIES AND EQUITY	**$2,701,621**	$2,678,064

See accompanying Notes to Parent Company Financial Statements.

FIRST GEN CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(Amounts in U.S. Dollars and in Thousands)

	Years Ended December 31	
	2014	**2013**
REVENUES		
Dividend income (Note 14)	**$222,371**	$78,816
Management fee (Note 14)	**4,075**	4,286
	226,446	83,102
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8, 14, 15 and 16)	**(16,593)**	(14,132)
FINANCIAL INCOME (EXPENSES)		
Interest income (Notes 5 and 14)	**1,781**	6,275
Interest expense and financing charges (Notes 10, 11, 14 and 15)	**(45,415)**	(29,582)
	(43,634)	(23,307)
OTHER INCOME (CHARGES)		
Foreign exchange gains (losses) - net	**20**	(3,572)
Others (Note 19)	**6**	120
	26	(3,452)
INCOME BEFORE INCOME TAX	**166,245**	42,211
PROVISION FOR INCOME TAX - Current (Note 17)	**65**	643
NET INCOME	**$166,180**	$41,568

See accompanying Notes to Parent Company Financial Statements.

FIRST GEN CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in U.S. Dollars and in Thousands)

	Years Ended December 31	
	2014	2013
NET INCOME	**$166,180**	$41,568
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit and loss in subsequent periods -		
Re-measurement gains on retirement benefits (Note 16)	**2,538**	824
TOTAL COMPREHENSIVE INCOME	**$168,718**	$42,392

See accompanying Notes to Parent Company Financial Statements.

FIRST GEN CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(Amounts in U.S. Dollars and in Thousands)

	Capital Stock (Notes 12 and 13)						
	Redeemable Preferred Stock	**Common Stock**	**Additional Paid-in Capital**	**Re-measurement of Retirement Benefits** (Note 16)	**Retained Earnings** (Note 12)	**Cost of Common Stock Held in Treasury** (Notes 12 and 13)	**Total Equity**
BALANCES AT DECEMBER 31, 2013	**$69,345**	**$74,728**	**$1,052,282**	**$ –**	**$417,383**	**($52,987)**	**$1,560,751**
Total comprehensive income	**–**	**–**	**–**	**2,538**	**166,180**	**–**	**168,718**
Re-measurement gains on retirement benefits closed to retained earnings (Note 16)	**–**	**–**	**–**	**(2,538)**	**2,538**	**–**	**–**
Cash dividends on common shares (Note 12)	**–**	**–**	**–**	**–**	**(26,678)**	**–**	**(26,678)**
Cash dividends on preferred shares (Note 12)	**–**	**–**	**–**	**–**	**(39,893)**	**–**	**(39,893)**
BALANCES AT DECEMBER 31, 2014	**$69,345**	**$74,728**	**$1,052,282**	**$–**	**$519,530**	**(52,987)**	**$1,662,898**
BALANCES AT DECEMBER 31, 2012	**$69,345**	**$74,715**	**$1,052,180**	**$–**	**$456,013**	**($52,987)**	**$1,599,266**
Total comprehensive income	–	–	–	824	41,568	–	42,392
Re-measurement gains on retirement benefits closed to retained earnings (Note 16)	–	–	–	(824)	824	–	–
Exercise of stock options (Notes 12 and 13)	–	13	102	–	–	–	115
Cash dividends on common shares (Note 12)	–	–	–	–	(39,153)	–	(39,153)
Cash dividends on preferred shares (Note 12)	–	–	–	–	(41,869)	–	(41,869)
BALANCES AT DECEMBER 31, 2013	**$69,345**	**$74,728**	**$1,052,282**	**$–**	**$417,383**	**($52,987)**	**$1,560,751**

See accompanying Notes to Parent Company Financial Statements.

FIRST GEN CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(Amounts in U.S. Dollars and in Thousands)

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**$166,245**	$42,211
Adjustments for:		
Dividend income (Note 14)	**(222,371)**	(78,816)
Interest expense and financing charges (Note 15)	**45,415**	29,582
Interest income (Note 5)	**(1,781)**	(6,275)
Unrealized foreign exchange losses (gains)	**(100)**	2,315
Depreciation and amortization (Notes 8 and 15)	**307**	380
Operating loss before working capital changes	**(12,285)**	(10,603)
Decrease (increase) in:		
Due from related parties	**9,815**	(19,849)
Other current assets	**(452)**	596
Increase (decrease) in:		
Accounts payable and accrued expenses	**(6,098)**	(4,298)
Net retirement benefits liability	**1,061**	1,201
Net cash used in operations	**(7,959)**	(32,953)
Interest received	**1,781**	1,246
Income taxes paid	**(65)**	(643)
Net cash flows used in operating activities	**(6,243)**	(32,350)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investments and deposits (Note 7)	**(137,772)**	(51,394)
Property and equipment (Note 8)	**(363)**	(832)
Decrease (increase) in other noncurrent assets	**(600)**	1,471
Dividends received (Note 14)	**221,812**	78,816
Proceeds from disposal of property and equipment (Note 8)	**17**	634
Net cash flows from investing activities	**83,094**	28,695
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends to preferred shareholders (Note 12)	**(40,074)**	(44,725)
Cash dividends to common shareholders (Note 12)	**(26,678)**	(38,520)
Interest expense and financing charges	**(24,213)**	(5,910)
Long-term debts (Note 11)	**(2,500)**	(1,500)
Proceeds from:		
Availment of long-term debt - net of debt issuance costs (Note 11)	**–**	296,454
Exercise of stock options (Note 13)	**–**	115

(Forward)

	Years Ended December 31	
	2014	2013
Net receipts from (payments to) subsidiaries and related parties	**($90,743)**	$6,060
Redemption of convertible bonds (Note 10)	**–**	(72,972)
Net cash flows from (used in) financing activities	**(184,208)**	139,002
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(6)**	(689)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(107,363)**	134,658
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**305,825**	171,167
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**$198,462**	$305,825

See accompanying Notes to Parent Company Financial Statements.

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 is involved in management and investment holdings of subsidiaries and associates. The Parent Company and its subsidiaries and associates are involved in the power generation business.

On February 10, 2006, the Parent Company successfully completed the Initial Public Offering (IPO) in the Philippines of 193,412,600 common stocks, including the exercised greenshoe option of 12,501,700 common stocks 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 Perpetual Preferred shares amounted to ₱10.0 billion ($234.4 million), net of transaction costs amounting to ₱95.2 million ($2.2 million) (see Note 12).

On January 20, 2015, the Parent Company authorized the issuance and sale of an aggregate of 297,029,800 common stocks to be taken from its unissued capital stock and treasury stock at an identical issue price of ₱25.25 per share (the "Offer Price"). The price represents a 2.9 % discount to the last traded price of ₱26.00 per share. The placement was conducted via an accelerated bookbuilding process. First Gen's parent company, First Philippine Holdings Corporation (FPH), which has a 66.2% stake in First Gen's issued and outstanding common stocks, agreed to subscribe to its pro-rata share in the transaction. The Parent Company will issue to FPH 179,127,900 common stocks from treasury stock, as well as 17,623,100 common stocks from unissued capital stock, at the Offer Price. Following the subscription, FPH will maintain its 66.2% stake in the Parent Company's issued and outstanding common stock.

As of December 31, 2014 and 2013, 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 an intermediate parent of First Gen through FPH, while Lopez, Inc. becomes the ultimate parent of First Gen. Prior to the adoption of PFRS 10, FPH was the ultimate parent company of First Gen. There are 353 common stockholders of record and 3,363,913,757 common stocks issued and outstanding (see Note 12).

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



The parent company financial statements were reviewed, approved and authorized for issuance by the Board of Directors (BOD) on March 12, 2015.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The parent company 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.

The parent company financial statements provide comparative information in respect of the previous period.

Statement of Compliance

The parent company financial statements have been prepared in compliance with PFRS as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

The Parent Company also prepares and issues consolidated financial statements, which are also presented in compliance with PFRS, for the same financial year as the parent company financial statements. These are filed and may be obtained from the Philippine SEC and PSE.

Significant Accounting and Financial Reporting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS and new Philippine Interpretation which the Parent Company has adopted starting January 1, 2014.

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

- Investment Entities (PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Accounting Standards (PAS) 27, *Separate Financial Statements*), provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The application of these exceptions requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant since the Parent Company does not qualify as an investment entity.

- 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 the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The amendments affect presentation only and have no impact on the Parent Company's financial position or performance.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments), removes the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Parent Company'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 and retrospective application is required. It is not expected that this amendment would be relevant since the Parent Company has no derivatives during the period.

- Philippine Interpretation from International Financial Reporting Interpretation Committee (IFRIC) 21, *Levies*, 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. Retrospective application is required for IFRIC 21. The amendment has no impact on the Parent Company's financial position or performance as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of the Philippine Interpretation from IFRIC 21 in prior years.

Improvements to PFRSs
The Annual Improvements to PFRSs contain non-urgent but necessary amendments to PFRSs.

2010-2012 Cycle
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables* is effective immediately and clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has no significant impact on the Parent Company's financial position or performance.

2011-2013 Cycle
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"* is effective immediately and clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but 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 the Parent Company as it is not a first-time adopter of PFRS.

Fair Value Measurement
The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible to the Parent Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents
Cash includes cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to cash with original maturities of three months or less from date of placement and that are subject to an insignificant risk of change in value.

Financial Instruments
Date of recognition
Financial instruments within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, are recognized in the parent company statement of financial position when the Parent Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting. Derivatives are also recognized on a trade date basis.

Initial recognition of financial instruments
All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for financial instruments at fair value through profit or loss (FVPL). The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or loans and borrowings. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the parent company statement of income, unless it qualifies for recognition as some other type of asset. In cases where data which is not observable are used, the difference between the transaction price and model value is only recognized in the parent company statement of income when the inputs



become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the "Day 1" difference amount.

Financial assets and liabilities at FVPL
Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held for trading if they are acquired for the purposes of selling and repurchasing in the near term.

Derivatives, including any separated embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless these are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and liabilities at FVPL are recorded in the parent company statement of financial position at fair value. Subsequent changes in fair value are recognized in the parent company statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

The Parent Company has no financial assets or financial liabilities at FVPL as of December 31, 2014 and 2013.

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Parent Company's management has the positive intention and ability to hold to maturity. Where the Parent Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Gains and losses are recognized in the parent company statement of income when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement on foreign currency denominated HTM investments are also recognized in the parent company statement of income.

The Parent Company has no HTM investments as of December 31, 2014 and 2013.



Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. Loans and receivables are classified as current assets if maturity is within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the parent company statement of income when the loans and receivables are derecognized and impaired, as well as through the amortization process.

Classified under loans and receivables are cash and cash equivalents, due from related parties, dividend receivables and consultancy fee receivables included as part of "Other current assets" account in the parent company statement of financial position as of December 31, 2014 and 2013.

AFS financial assets
AFS financial assets are those non-derivative financial assets which are designated as such or do not qualify to be classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets are classified as current assets if management intends to sell these financial assets within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealized gains and losses being recognized as other comprehensive income (losses) until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported as other comprehensive income (loss) is recognized in the parent company statement of income. The Parent Company uses the specific identification method in determining the cost of securities sold. Unquoted equity securities and investment in proprietary club membership shares are carried at cost, net of impairment (if any).

The Parent Company has no AFS financial assets as of December 31, 2014 and 2013.

Loans and borrowings
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings. Loans and borrowings are classified as current liabilities if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent liabilities.

Loans and borrowings are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the parent company statement of income when the liabilities are derecognized, as well as through the amortization process.

Debt issuance costs incurred in connection with availments of long-term debt and issuances of Notes are deferred and amortized using the effective interest method over the term of the loans

and Notes. Debt issuance costs are included in the measurement of the related long-term debts and are allocated accordingly to the respective current and noncurrent portions.

Classified under loans and borrowings are accounts payable and accrued expenses, dividends payable, due to related parties, advances from subsidiaries and long-term debts as of December 31, 2014 and 2013.

Derivative Financial Instruments and Hedge Accounting

The Parent Company enters into derivative and hedging transactions, primarily cross currency swap and foreign currency forwards, as needed, for the sole purpose of managing the risks that are associated with the Parent Company's borrowing activities or as required by the lenders in certain cases and hedge its foreign exchange rate risk.

Derivative financial instruments (including bifurcated embedded derivatives) are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from changes in fair value on derivatives that do not qualify for hedge accounting is taken directly to the parent company statement of income for the current year under the "Mark-to-market gain on derivatives" account.

For purposes of hedge accounting, derivatives can be designated either as cash flow hedges or fair value hedges depending on the type of risk exposure it hedges.

At the inception of a hedge relationship, the Parent Company formally designates and documents the hedge relationship to which the Parent Company opts to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Parent Company has no derivatives that are designated as fair value hedges as of December 31, 2014 and 2013.

Cash flow hedges

Cash flow hedges are hedges of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect the parent company statement of income. The effective portion of the gain or loss on the hedging instrument, if any, is recognized as other comprehensive income (loss) in the "Accumulated other comprehensive income (loss)" account in the parent company statement of financial position while the ineffective portion , if any, is recognized as "Mark-to-market gain (loss) on derivatives" in the parent company statement of income.

Amounts taken to other comprehensive income (loss) are transferred to the parent company statement of income when the hedged transaction affects profit or loss, such as when hedged financial income or expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to other comprehensive income (loss) are transferred to the initial carrying amount of the non-financial asset or liability.



If the forecast transaction is no longer expected to occur, amounts previously recognized in other comprehensive income (loss) are transferred to the parent company statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income (loss) remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is recognized in the parent company statement of income.

The Parent Company has no derivatives that are designated as cash flow hedges as of December 31, 2014 and 2013.

Embedded derivatives
An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

The Parent Company assesses whether embedded derivatives are required to be separated from the host contracts when the Parent Company first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives are bifurcated from their host contracts, when the following conditions are met:

(a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets and liabilities at FVPL;
(b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and
(c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in the parent company statement of income.

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Parent Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Parent Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original

carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statement of income.

Impairment of Financial Assets
The Parent Company assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables carried at amortized cost, the Parent Company first assesses whether an objective evidence of impairment (such as the probability of insolvency or significant financial difficulties of the debtor) exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is an objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying value and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If the Parent Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

The carrying value of the asset is reduced through the use of an allowance account and the amount of loss is charged to the parent company statement of income. If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable. Interest income continues to be recognized based on the original effective interest rate of the asset. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.



AFS financial assets
For AFS financial assets, the Parent Company assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the investments below its cost is considered an objective evidence of impairment. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income (loss), is removed from other comprehensive income (loss) and recognized in the parent company statement of income. Impairment losses on equity investments are not reversed through the parent company statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income (loss).

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of the "Interest income" in the parent company statement of income. If, in a subsequent year, the fair value of a debt instrument increases and that increase can be objectively related to an event occurring after the impairment loss was recognized in the parent company statement of income, the impairment loss is reversed through the parent company statement of income.

Offsetting Financial Instruments
Financial assets and liabilities are offset with the net amount reported in the parent company statement of financial position, if and only if:

- there is a currently enforceable legal right to offset the recognized amounts; and
- there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Prepayments
Prepayments comprise prepaid items such as rent, insurance and other prepaid items. Prepayments are expenses paid in advance and recorded as asset before they are utilized. The prepaid insurance premiums, rent and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the parent company statement of income when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets. Otherwise these are classified as other noncurrent assets. Prepayments are classified in the "Other current assets" account in the parent company statement of financial position.

Creditable Withholding Taxes (CWT)
CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source, subject to the rules on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within 12 months are classified as current assets. Otherwise, these are classified as other noncurrent assets. CWTs are classified in the "Other current assets" account in the parent company statement of financial position.

Investments and Deposits

The Parent Company's investments and deposits in subsidiaries and associates are accounted for at cost less provision for impairment, if any. A subsidiary is an entity in which the Parent Company has control. Control is achieved when Parent Company 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. An associate is an entity in which the Parent Company has significant influence. Significant influence is the power to participate in the financial and operating decision of the investee but is not in control or in joint control of those policies.

The Parent Company recognizes income from its investments when its right to receive dividends is established.

Included under investments and deposits are the Parent Company's deposits for future stock subscriptions to its subsidiaries and associates. Such deposits represent nonrefundable advances to the subsidiaries and associates that will be settled by the exchange of a fixed number of the subsidiaries' and associates' equity instruments.

An assessment of the carrying value of investments and deposits are performed when there is an indication that the investments and deposits are impaired.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and impairment in value, if any.

The initial cost of property and equipment consists of the purchase price including import duties, borrowing cost (during the construction period) and other costs directly attributable to bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to the parent company statement of income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

Asset Type	Number of Years
Buildings and building improvements	20
Transportation equipment	5
Furniture, fixtures and office equipment	3-5
Leasehold improvements	5 or lease term with no renewal option, whichever is shorter

The useful lives and depreciation and amortization method are reviewed at each financial reporting date to ensure that the years and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized. Leasehold improvements are amortized over the lease term or the economic life of the related asset, whichever is shorter.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the assets (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is in the parent company statements of income in the year the asset is derecognized.

Impairment of Non-financial Assets

Investments and deposits

The Parent Company determines whether it is necessary to recognize an impairment loss on its investments and deposits. The Parent Company determines at each financial reporting date whether there is any objective evidence that the investments and deposits are impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable value, which is the value in use, and the carrying amount of investments and deposits and recognizes the amount of loss in the parent company statement of income. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are recognized in the parent company statement of income.

Recoverable amount is estimated for the individual asset or, if this is not possible, for the cash-generating unit to which the asset belongs. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded in the parent company statement of income. However, the increased carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for that asset in prior years.

Property and equipment

At each financial reporting date, the Parent Company assesses whether there is any indication that its property and equipment may be impaired. When an indicator of impairment exists, the Parent Company makes a formal estimate of an asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset (or cash-generating unit). An impairment loss is recognized in the parent company statement of income in the year in which it arises.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such



indication exists, the Parent Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income.

Provisions
Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized under the "Interest expense and financing charges" account in the parent company statement of income.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements but are disclosed in the notes to the parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the notes to the parent company financial statements when an inflow of economic benefits is probable.

Retirement benefits
The Parent Company has a distinct, funded, non-contributory defined benefit retirement plan covering all permanent employees and administered by its retirement committee.

The Parent Company recognizes the net defined benefit liability or asset which is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as an expense or income in the profit or loss.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the parent company statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. The fair value of plan assets is based on market price information and when no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Share-based Payment Transactions

Certain employees (including senior executives) of the Parent Company, its subsidiaries, an associate and FPH receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the stock options at grant date. The fair value was then determined using the Black-Scholes-Merton model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the stocks of the Parent Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each financial reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for a year represents the movement in cumulative expense recognized as of the beginning and end of that year.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, an expense, as a minimum, is recognized as if the terms had not been modified. An expense is recognized for any increase in the value of the transactions as a result of the modification, as measured on the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were modifications of the original award, as described in the previous paragraph.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at financial reporting date.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will become available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the income tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at financial reporting date.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates.

Current and deferred income tax relating to items recognized directly in equity is also recognized in parent company statement of changes in equity and not in the parent company statement of income. Deferred income tax relating to items recognized directly in OCI is recognized in parent company statement of comprehensive income.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and deferred income taxes relate to the same taxable entity and the same tax authority.



Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting will commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. In cases where the Parent Company acts as a lessee, operating lease payments are recognized as expense in the parent company statement of income on a straight-line basis over the lease term.

Capital Stock, Stock Rights and Additional Paid-in Capital

Capital stock is measured at par value and is classified as equity for all stocks issued. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued. The Parent Company's capital stock is classified as common and preferred stock. A preferred stock is an equity instrument that is usually preferred as to claims on the entity's assets, earnings, or both. A common stock is an equity instrument that is subordinate to all other classes of equity instruments.

Stock rights that are given pro-rata to all of the existing owners of the same class of the Parent Company's non-derivative equity instruments in order to acquire a fixed number of its own equity instruments for a fixed amount in any currency are classified as equity instrument.

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

Direct costs incurred related to the issuance of new capital stock, such as underwriting, accounting and legal fees, printing costs and taxes are shown in equity as deduction, net of tax, from the proceeds.

Treasury Stocks

Acquired treasury stocks are accounted for at weighted average cost and shown as a deduction in the equity section of the parent company statement of financial position. Upon reissuance of treasury stocks, the "Cost of common stock held in treasury" account is credited at cost. No gain or loss is recognized in the parent company statement of income on the purchase, sale, issuance or cancellation of the Parent Company's own equity instruments. The excess of proceeds from reissuance over the cost of treasury stock is credited to the "Additional paid-in capital" account.

However, if the cost of treasury stock exceeds the proceeds from reissuance, such excess is debited to the "Additional paid-in capital" account but only to the extent of previously set-up additional paid-in capital for the same class of stock. Otherwise, this is debited against the "Retained earnings" account.

Retained Earnings
The amount included in retained earnings includes profit or loss attributable to the Parent Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when these are declared by the Parent Company's BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. The remeasurement gains and losses on retirement benefits are also included in the amount of retained earnings.

Retained earnings may also include the effect of changes in accounting policies as may be required by the standards' transitional provisions.

Dividends on Preferred and Common Stocks
The Parent Company may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the Philippine SEC. The Parent Company may declare dividends only out of its unrestricted retained earnings.

Cash and property dividends on preferred and common stocks are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital.

Revenue Recognition
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Parent Company and the amount of the revenue can be measured reliably. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as a principal in all its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Dividend income is recognized when the Parent Company's right to receive the payment is established.

Management fee is recognized when services are rendered.

Interest income is recognized as the interest accrues (using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset), taking into account the effective yield on the asset.

Expense Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants, and are recognized when these are incurred.



Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of qualifying assets until such time that the assets are substantially ready for their intended use or sale, which necessarily take a substantial period of time. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. All other borrowing costs are expensed in the year they occur and are recognized in the parent company statement of income in the period in which they are incurred.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded using the weighted average functional currency rate prevailing at transaction date. Monetary assets and liabilities denominated in foreign currencies are restated using the functional currency rate of exchange at financial reporting date. All differences are taken to the parent company statement of income. Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the weighted average exchange rates at the date when the fair value was determined.

Segment Reporting
For purposes of management reporting, the Parent Company's operating businesses are organized and managed separately on a per company basis, with each company representing a strategic business segment. The Parent Company's identified operating segments are consistent with the segments reported to the BOD which is the Parent Company's Chief Operating Decision Maker (CODM). Financial information on the operating segment is presented in Note 4.

Events After the Financial Reporting Date
Any event after the financial reporting date that provides additional information about the Parent Company's position at financial reporting date (adjusting event) is reflected in the parent company financial statements. Events after financial reporting date that are not adjusting events, if any, are disclosed in the notes to the parent company financial statements, when material.

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, the Parent Company does not expect the adoption of these new and amended PAS, PFRS and Philippine Interpretations to have any significant impact on the Parent Company's financial statements.

The following new standards and amendments issued by the International Accounting Standards Board (IASB) were already adopted by the Financial Reporting Standards Council (FRSC) but are still for approval by Board of Accountancy (BOA).

Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments), requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.



These amendments is not expected to be relevant to the Parent Company since it has no defined benefit plan with contributions from employees or third parties.

Improvements to PFRSs (2010-2012 Cycle)
The following annual improvements to PFRSs are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the Parent Company:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition;
  - A performance target must be met while the counterparty is rendering service;
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
  - A performance condition may be a market or non-market condition; and
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The amendment has no impact on the Parent Company's financial position or performance.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a 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 PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. The Parent Company 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*, clarifies that an entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The amendments are to be applied retrospectively. The amendments affect disclosures only and have no impact on the Parent Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method Proportionate Restatement of Accumulated Depreciation and Amortization*, clarifies that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment is to be applied retrospectively. The amendment has no impact on the Parent Company's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*, clarifies that a management entity, which is an entity that provides key management personnel services, is a related party

subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments are to be applied retrospectively. The amendments affect disclosures only and have no impact on the Parent Company's financial position or performance.

Improvements to PFRSs (2011-2013 Cycle)
The following annual improvements to PFRSs are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the Parent Company:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*, clarifies that joint arrangements, not just joint ventures, are outside the scope of PFRS 3. It further clarifies that this scope exception applies only to the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has no impact on the Parent Company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*, clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (*or PFRS 9, as applicable*). The amendment is applied prospectively.

- PAS 40, *Investment Property*, clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively. The amendment has no impact on the Parent Company's financial position or performance.

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements* and PAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments), requires that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption



permitted. The amendment has no impact on the Parent Company's financial position or performance.

- PFRS 14, *Regulatory Deferral Accounts*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The amendment has no impact on the Parent Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of* Depreciation *and Amortization* (Amendments), clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments have no impact on the Parent Company's financial position or performance.

- PAS 16 and PAS 41, *Agriculture - Bearer Plants* (Amendments), change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments have no impact on the Parent Company's financial position or performance.

- PAS 27, Separate *Financial Statements - Equity Method in Separate Financial Statements* (Amendments), will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments have no impact on the Parent Company's financial position or performance.

Improvements to PFRSs (2012-2014 Cycle)
The Annual Improvements to PFRSs are effective for annual periods beginning on or after January 1, 2016 contain non-urgent but necessary amendments to the following standards:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal,



rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment is to be applied prospectively. The amendment has no impact on the Parent Company's financial position or performance.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts* requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment has no impact on the Parent Company's financial position or performance.

- PFRS 7, *Financial Instruments: Disclosures - Applicability of the Amendments to PFRS 7, Disclosure - Offsetting Financial Assets and Financial Liabilities to Condensed Interim Financial Statements*, clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendments are to be applied retrospectively.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*, clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendments are to be applied prospectively.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*, clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendments are to be applied retrospectively. The amendment has no impact on the Parent Company's financial position or performance.

Effective January 1, 2018

- PFRS 9, *Financial Instruments*, already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and



accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets but will have no impact on the classification and measurement of the Parent Company's financial liabilities. The adoption will also have an effect on the Parent Company's application of hedge accounting. The Parent Company is currently assessing the impact of PFRS 9 and plans to adopt the new standard on the required effective date once adopted locally.

- PFRS 9, *Financial Instruments (2014 or final version),* already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

Standards issued but not yet effective

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version), reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. 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 other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, 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 in respect of the liability's 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 into PFRS 9, including the embedded derivative separation 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 the Parent Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.



PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine FRSC. Such adoption, however, is still for approval by the BOA.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the 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 Parent Company's financial position or performance.

New standard issued by the IASB has not yet been adopted by the FRSC

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers* was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Parent Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

3. Significant Accounting Judgments and Estimates

The preparation of the parent company financial statements in accordance with PFRS requires the Parent Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. However, future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Parent Company's accounting policies, management has made the following judgments and estimates which have the most significant effect on the amounts recognized in the parent company financial statements:

Judgments

a. *Determining functional currency*

The Parent Company has determined that its functional currency is the U.S. dollar. The U.S. Dollar is the currency of the primary economic environment in which the Parent Company operates. Based on the Parent Company's evaluation, the U.S. dollar is the currency

that mainly represents the economic substance of its underlying transactions, events and conditions.

b. *Classification of financial instruments*
The Parent Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather that its legal form, governs its classification in the parent company statement of financial position (see Note 19).

c. *Operating lease*
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Parent Company has determined that it has not acquired all the significant risks and rewards of ownership of leased property as the lease term does not represent substantially the full economic life in years of the asset and there is no purchase option at a significant discount available. Accordingly, the Parent Company accounts for the lease as operating lease. The Parent Company has a non-cancelable lease agreement with First Philippine Realty Corporation (FPRC) on its occupied office space that is determined to be a non-cancelable operating lease (see Note 14).

Estimates

a. *Impairment losses on due from related parties and consultancy fee receivables*
The Parent Company reviews its due from related parties and consultancy fee receivables at each financial reporting date to assess whether a provision for impairment should be recognized in the parent company statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowance.

No impairment loss on due from related parties and consultancy fee receivables was recognized in 2014 and 2013. The carrying value of due from related parties, and consultancy fee receivables amounted to $41.3 million and $51.0 million as of December 31, 2014 and 2013 (see Notes 6 and 14).

b. *Impairment of non-financial assets*
Property and equipment
The Parent Company assesses impairment on property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Parent Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amount is estimated for an individual asset or, if it is not possible, for the cash-generating unit to which the asset belongs.

No impairment loss on property and equipment was recognized in the parent company statements of income for the years ended December 31, 2014 and 2013. The carrying values of property and equipment amounted to $1.0 million and $0.9 million as of December 31, 2014 and 2013, respectively (see Note 8).

Investments and deposits
The Parent Company performs impairment review on its investments and deposits whenever an impairment indication exists. This requires an estimation of the value in use of the subsidiaries and associates. Estimating the value in use requires the Parent Company to make an estimate of the expected future cash flows of the subsidiaries and associates and to make use of a suitable discount rate to calculate the present value of those future cash flows.

Management services were rendered by the Parent Company to Bauang Private Power Corporation (BPPC) under certain terms and conditions of a Management Contract. As a result of the expiration of BPPC's Build-Operate-Transfer Agreement (Project Agreement) in 2010, the Parent Company performed an impairment review of its investment in BPPC and did not recognize any provision for impairment loss in the parent company statements of income for the years ended December 31, 2014 and 2013 (see Note 7).

The carrying amounts of investments and deposits as of December 31, 2014 and 2013 amounted to $2,453.4 million and $2,315.6 million, respectively (see Note 7).

c. *Estimating useful lives of property and equipment*
The Parent Company estimated the useful lives of the property and equipment based on the years over which the property and equipment are expected to be available for use, and on the collective assessment of industry practices, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment are reviewed at each financial reporting date and updated, if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits in the use of these assets. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recording the depreciation and amortization of property and equipment for any year may be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded depreciation and amortization and decrease the carrying value of property and equipment.

There is no change in the estimated useful lives of property and equipment during the year. The carrying values of property and equipment as of December 31, 2014 and 2013 amounted to $1.0 million and $0.9 million, respectively (see Note 8).

d. *Recognition of deferred income tax assets*
The carrying amounts of deferred income tax assets at each financial reporting date are reviewed and are reduced to the extent that there is no longer sufficient future taxable income available to allow all or part of the deferred income tax assets to be utilized. The Parent Company's assessment on the recognition of deferred income tax assets on deductible temporary differences, carryforward benefits of MCIT and NOLCO is based on the forecasted taxable income. This forecast is based on the Parent Company's past results and future expectations on revenue and expenses.

As of December 31, 2014 and 2013, the Parent Company recognized deferred income tax assets amounting to $0.4 million and $0.1 million, respectively. The Parent Company also has



temporary differences, carryforward benefits of unused NOLCO and excess MCIT totaling to $91.6 million and $74.7 million as of December 31, 2014 and 2013, respectively, for which no assets were recognized (see Note 17).

e. *Retirement benefits*
The cost of defined benefit retirement plan is determined using the projected unit credit method of actuarial valuation. An actuarial valuation involves making assumptions. These include the determination of the discount rates, and future salary increases, mortality and disability rates and employee turnover rate. While the assumptions are reasonable and appropriate, significant differences in the Parent Company's actual experience or significant changes in the assumptions may materially affect the retirement benefit obligation. Due to the long-term nature of this plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at financial reporting date. The details of assumptions used in the calculation of the Parent Company's retirement benefits are presented in Note 16.

As of December 31, 2014, the Parent Company recognized a net retirement benefits asset of $1.2 million, while it recognized a net retirement benefits liability of $0.3 million as of December 31, 2013 (see Note 16).

f. *Fair values of financial instruments*
The Parent Company carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Parent Company utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect the parent company statement of income and parent company statement of changes in equity.

Where the fair values of certain financial assets and financial liabilities recorded in the parent company statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. Judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

The fair values of the Parent Company's financial instruments are presented in Note 19 to the parent company financial statements.

g. *Legal contingencies and regulatory assessment*
The Parent Company is involved in legal proceedings and regulatory assessment as discussed in Note 20 to the parent company financial statements. The Parent Company's estimate of probable costs for the assessment and resolution of the case has been developed in consultation with in-house and external counsels handling the defense in the case and is based upon thorough analysis of potential results.



The Parent Company, in consultation with its external counsels, believes that these proceedings will not have a material adverse effect on the parent company financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or the effectiveness of management's strategies relating to these proceedings.

4. Operating Segment Information

Operating segments are components of the Parent Company that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Parent Company's 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, the Parent Company's operating businesses are organized and managed separately on a per company basis, with each company representing a strategic business segment. The Parent Company's identified operating segments, which are consistent with the segments reported to the BOD, which is the CODM of the Parent Company, are as follows:

- First Gas Power Corporation (FGPC), which operates the 1,000 MW combined cycle, natural gas-fired Santa Rita power plant, and where the Parent Company has a 60% equity interest through FGHC until May 30, 2012. Subsequently, the Parent Company beneficially owns 100% equity interest;
- FGP Corp. (FGP), which operates the 500 MW combined cycle, natural gas-fired San Lorenzo power plant, and where the Parent Company has a 60% equity interest through Unified until May 30, 2012. Subsequently, the Parent Company beneficially owns 100% equity interest;
- EDC and Subsidiaries, which holds service contracts with the DOE corresponding to 14 geothermal contract areas each granting EDC exclusive rights to explore, develop, and utilize the corresponding resources in the relevant contract area. EDC conducts commercial operations in four (4) out of its 14 geothermal contract areas. In addition, EBWPC, a wholly-owned subsidiary of EDC, has completed the construction of its 150 MW Burgos Wind Energy Project located in Ilocos Norte. EDC intends to operate the Burgos Wind Project under the Feed-In Tariff (FIT) system. As of March 12, 2015, EBWPC's application for the FIT Certificate of Compliance (a requirement to avail of the incentives under FIT system) is subject for the approval of the Energy Regulatory Commission (ERC). In 2014, the Burgos Wind Project started to generate electricity which was sold to the Wholesale Electricity Spot Market (WESM). 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% to 73.4%, and has likewise increased its effective voting interest in EDC to 50.9% as of December 31, 2014; and
- First Gen Hydro Power Corporation (FG Hydro), which operates the 132 MW PAHEP/MAHEP, and where the Parent Company has a 40% direct economic interest and 70.0% effective economic interest as of December 31, 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 parent company statements of income. Segment expenses pertain to the costs and expenses presented in the parent company statements of income excluding interest expense and financing charges, depreciation and amortization expense and income taxes which are managed on a per company basis.



The Parent Company has only one geographical segment as all of its assets are located in the Philippines. The Parent Company 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 benefits will flow to First Gen and that the revenue can be reliably measured. Substantially all of the segment revenues of FGP and FGPC are derived from Manila Electric Company, the sole customer of FGP and FGPC; close to 43.5% of EDC's total revenues in 2014 are derived from existing long term Power Purchase Agreements with National Power Corporation (NPC).

Financial information on the business segments are summarized as follows:

	Year Ended December 31, 2014						
	FGPC	**FGP**	**EDC & Subsidiaries***	**FG Hydro**	**Others**	**Eliminating Entries****	**Total**
Segment revenue	**$779,799**	**$425,381**	**$659,350**	**$36,620**	**$9,152**	**($1,683,856)**	**$226,446**
Segment expenses	**(607,903)**	**(314,295)**	**(218,199)**	**(11,287)**	**(35,757)**	**1,171,181**	**(16,260)**
Segment results	**171,896**	**111,086**	**441,151**	**25,333**	**(26,605)**	**(512,675)**	**210,186**
Interest income	**11,414**	**4,903**	**3,523**	**641**	**6,264**	**(24,964)**	**1,781**
Interest expense and financing charges	**(33,696)**	**(13,365)**	**(80,758)**	**(3,884)**	**(56,050)**	**142,338**	**(45,415)**
Depreciation and amortization	**(38,613)**	**(22,120)**	**(93,137)**	**(9,505)**	**(535)**	**163,603**	**(307)**
Income (loss) before income tax	**111,001**	**80,504**	**270,779**	**12,585**	**(76,926)**	**(231,698)**	**166,245**
Benefit from (provision for) income tax	**(32,041)**	**(20,266)**	**(26,047)**	**(408)**	**742**	**77,955**	**(65)**
Net income (loss)	**$78,960**	**$60,238**	**$244,732**	**$12,177**	**($76,184)**	**($153,743)**	**$166,180**

** Pertains to EDC and subsidiaries' consolidated statement of income, including the effect of the purchase price allocation but excluding FG Hydro.*
*** Pertains to revenue and expenses of the Parent Company's subsidiaries and associates for the year ended December 31, 2014.*

	Year Ended December 31, 2013						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Segment revenue	$955,502	$337,178	$548,687	$59,269	$5,239	($1,822,773)	$83,102
Segment expenses	(782,801)	(264,030)	(296,559)	(10,510)	(23,246)	1,359,942	(17,204)
Segment results	172,701	73,148	252,128	48,759	(18,007)	(462,831)	65,898
Interest income	12,676	5,339	6,340	628	11,813	(30,521)	6,275
Interest expense and financing charges	(37,562)	(13,823)	(75,755)	(4,445)	(45,443)	147,446	(29,582)
Depreciation and amortization	(37,179)	(25,675)	(85,802)	(9,974)	(553)	158,803	(380)
Income (loss) before income tax	110,636	38,989	96,911	34,968	(52,190)	(187,103)	42,211
Income from discontinued operations	(35,507)	(14,703)	(9,957)	(210)	(1,342)	61,076	(643)
Net income (loss)	$75,129	$24,286	$86,954	$34,758	($53,532)	($126,027)	$41,568

** Pertains to EDC and subsidiaries' consolidated statement of income, including the effect of the purchase price allocation but excluding FG Hydro.*
*** Pertains to revenue and expenses of the Parent Company's subsidiaries and associates for the year ended December 31, 2013.*

Other financial information of the business segments are as follows:

	As of December 31, 2014						
	FGPC	**FGP**	**EDC & Subsidiaries***	**FG Hydro**	**Others**	**Eliminating Entries****	**Total**
Current assets	**$329,610**	**$224,040**	**$520,620**	**$34,079**	**$435,364**	**($1,298,522)**	**$245,191**
Noncurrent assets	**471,012**	**362,099**	**2,153,936**	**135,970**	**5,567,188**	**(6,233,775)**	**2,456,430**
Total assets	**$800,622**	**$586,139**	**$2,674,556**	**$170,049**	**$6,002,552**	**($7,532,297)**	**$2,701,621**
Current liabilities	**$214,833**	**$110,205**	**$393,427**	**$14,685**	**$306,718**	**($832,401)**	**$207,467**
Noncurrent liabilities	**320,220**	**355,305**	**1,335,980**	**72,004**	**1,068,934**	**(2,321,187)**	**831,256**
Total liabilities	**$535,053**	**$465,510**	**$1,729,407**	**$86,689**	**$1,375,652**	**($3,153,588)**	**$1,038,723**

**Pertains to EDC and subsidiaries consolidated assets and liabilities including purchase price allocation and excluding FG Hydro.*
*** Pertains to assets and liabilities of the Parent Company's subsidiaries and associates as of December 31, 2014.*

	As of December 31, 2013						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Current assets	$414,652	$222,393	$497,649	$44,748	$521,387	($1,339,600)	$361,229
Noncurrent assets	508,670	394,806	1,750,409	144,175	5,152,322	(5,633,547)	2,316,835
Total assets	$923,322	$617,199	$2,248,058	$188,923	$5,673,709	($6,973,147)	$2,678,064
Current liabilities	$263,962	$114,323	$188,824	$11,827	$307,311	($694,822)	$191,425
Noncurrent liabilities	376,457	380,737	1,275,721	81,153	1,117,450	(2,305,630)	925,888
Total liabilities	$640,419	$495,060	$1,464,545	$92,980	$1,424,761	($3,000,452)	$1,117,313

** Pertains to EDC and subsidiaries consolidated assets and liabilities including purchase price allocation and excluding FG Hydro.*
*** Pertains to assets and liabilities of the Parent Company's subsidiaries and associates as of December 31, 2013.*

5. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash in banks (see Notes 18 and 19)	**$10,178**	$8,505
Short-term deposits (see Notes 18 and 19)	**188,284**	297,320
	$198,462	$305,825

Cash and cash equivalents earn interest at the respective bank deposit rates ranging from 0.12% to 1.85% and 0.12% to 1.20% as of December 31, 2014 and 2013, respectively. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company, and earn interest at the respective short-term deposit rates.

For the years ended December 31, 2014 and 2013, total interest income earned from cash and cash equivalents amounted to $1.8 million and $1.2 million, respectively.

6. Other Current Assets

This account consists of:

	2014	2013
CWTs	**$3,574**	$3,055
Consultancy fee receivables [see Note 14(c)]	**980**	987
Dividends receivable	**559**	–
Prepayments	**155**	297
Others	**1,133**	1,029
	$6,401	$5,368

Others include input VAT, receivables from employees and other receivables.

7. Investments and Deposits

Subsidiaries

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

	Percentage of Voting Interest	
	2014	2013
First Gen Renewables, Inc. (FGRI)[16]	**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. [formerly First Gen Geothermal Power Corporation] (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[5, 16]	**100**	100
Prime Meridian Powergen Corporation (Prime Meridian)	**100**	100
Bluespark[5, 16]	–	100
Goldsilk[5, 16]	**100**	100
Dualcore[5, 16]	**100**	100
Onecore[5, 16]	**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, 16]	**100**	100
FGP[2, 16]	**100**	100
FNPC[3]	**100**	100
First Gas Power Corporation (FGPC)[4, 16]	**100**	100
First Gas Pipeline Corporation (FG Pipeline)[4, 16]	**100**	100
FGLand Corporation (FG Land)[4, 16]	**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)[11]	**100**	–
FGen Power Ventures, Inc. (FGEN Power Ventures)[11]	**100**	–
FGen Casecnan Hydro Power Corp. (FGEN Casecnan)[12]	**100**	–
FGen Power Holdings, Inc. (Power Holdings)[13]	**100**	–
FGen Prime Holdings, Inc. (Prime Holdings)[13]	**100**	–
FGen Eco Solutions Holdings, Inc. (FGESHI)[13]	**100**	–
FGen Liquefied Natural Gas Holdings, Inc. (Liquefied Holdings)[14]	**100**	–
FGen Reliable Energy Holdings, Inc. (FG Reliable Energy)[17]	**100**	–
FGen Power Solutions, Inc. (FG Power Solutions)[18]	**100**	–
FGen Vibrant Blue Sky Holdings, Inc. (FGVBSHI)[19]	**100**	–
FGen Aqua Power Holdings, Inc. (FG Aqua Power)[19]	**100**	–
Prime Terracota Holdings Corp. (Prime Terracota)[9, 10, 15]	**73**	45
First Gen Hydro Power Corporation (FG Hydro)[9, 10]	**40**	40

[1] *Through FGRI*
[2] *Through Unified*

[3] *Through AlliedGen*
[4] *Through FGHC*
[5] *On 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.*
[6] *Through FG Mindanao*
[7] *Through FMRC*
[8] *Through FNMHI*
[9] *As a result of the adoption of PFRS 10 effective January 1, 2013 .*
[10] *As a result of the adoption of PFRS 10 effective January 1, 2013. As of December 31, 2014, direct voting interest by the Parent Company in FG Hydro is 40% while its effective economic interest is 70.0% through Prime Terracota.*
[11] *On January 3, 2014, FGEN Northern Power and FGEN Power Ventures were incorporated and registered with the Philippine SEC.*
[12] *On January 16, 2014, FGEN Casecnan was incorporated and registered with the Philippine SEC.*
[13] *On August 6, 2014, Power Holdings, Prime Holdings, and FGESHI were incorporated and registered with the Philippine SEC.*
[14] *On September 25, 2014, Liquefied Holdings was incorporated and registered with the Philippine SEC.*
[15] *On 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 December 31, 2014, the Parent Company'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 50.9% through Prime Terracota.*
[16] *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 the Parent Company. FGRI now effectively owns 40.0% voting and economic interest in FGHC and subsidiaries, and FGP. Prior to the merger, FGRI was a wholly-owned subsidiary of the Parent Company.*
[17] *On October 24, 2014, FG Reliable Energy was incorporated and registered with the Philippine SEC.*
[18] *On November 11, 2014, FG Power Solutions was incorporated and registered with the Philippine SEC.*
[19] *On November 14, 2014, FGVBSHI and FG Aqua Power were incorporated and registered with the Philippine SEC.*

As of December 31, 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, FG Pipeline, FG Land, FGEN LNG, LNG Holdings, FGEN Meridian, FGEN Northern Power, FGEN Power Ventures, FGEN Casecnan, Power Holdings, Prime Holdings, FGESHI, Liquefied Holdings, FG Reliable Energy, FG Power Solutions, FGVBSHI, and FG Aqua Power have not started commercial operations.

As of December 31, 2013, 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, FG Pipeline, FG Land, FGEN LNG, LNG Holdings, and FGEN Meridian have not started commercial operations.

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

	Percentage of Voting Interest	
	2014	2013
Red Vulcan	**100**	100
EDC	**60**	60
FG Hydro	**60**	60
EDC Drillco Corporation (EDC Drillco)	**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
Mount Apo Renewable Inc. (MAREI) [4]	**60**	–
EDC Chile Limitada	**60**	60
EDC Wind Energy Holdings, Inc. (EWEHI)	**60**	60
EDC Burgos Wind Power Corporation (EBWPC)	**60**	60
EDC Pagudpud Wind Power Corporation (EPWPC)	**60**	60
EDC Bayog Burgos Power Corporation (EBBPC) [4]	**60**	–
EDC Pagali Burgos Wind Power Corporation (EPBWPC) [4]	**60**	–
EDC Bright Solar Energy Holdings, Inc. (EBSEHI) [4]	**60**	–
EDC Bago Solar Power Corporation (EBSPC) [4]	**60**	–

	Percentage of Voting Interest	
	2014	2013
EDC Burgos Solar Corporation (EBSC) [4]	**60**	–
EDC Holdings International Limited (EHIL)	**60**	60
Energy Development Corporation Hong Kong Limited (EDC HKL)	**60**	60
EDC Chile Holdings SPA[3]	**60**	60
EDC Geotermica Chile[3]	**60**	60
EDC Peru Holdings S.A.C.[3]	**60**	60
EDC Geotermica Peru S.A.C.[3]	**60**	60
EDC Quellaapacheta[3]	**60**	60
EDC Geotermica Del Sur S.A.C.[1, 3]	**60**	60
EDC Energia Azul S.A.C.[1, 3]	**60**	60
Geothermica Crucero Peru S.A.C.[2, 3]	**42**	42
EDC Energía Perú S.A.C.[1, 3]	**60**	60
Geothermica Tutupaca Norte Peru S.A.C.[2, 3]	**42**	42
EDC Energía Geotérmica S.A.C. [1, 3]	**60**	60
EDC Progreso Geotérmico Perú S.A.C.[1, 3]	**60**	60
Geothermica Loriscota Peru S.A.C.[2, 3]	**42**	42
EDC Energía Renovable Perú S.A.C.[1, 3]	**60**	60
PT EDC Indonesia[3]	**60**	57
PT EDC Panas Bumi Indonesia [3]	**60**	57
EDC Soluciones Sostenibles Ltd	**60**	–
EDC Energia Verde Chile SpA	**60**	–
EDC Energia de la Tierra SpA	**60**	–
EDC Desarollo Sostenible Ltd	**60**	–
EDC Energia Verde Peru SAC	**60**	–
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]Through EHIL and was incorporated on February 27, 2013 in Lima, Peru
[2]Through EHIL and were incorporated in 2013
[3]Subsidiary of EDC HKL
[4]Incorporated and registered in the Philippine SEC in 2014

As of December 31, 2014 and 2013, all subsidiaries of EDC HKL remained non-operating.

Associates

	Percentage of Voting Interest	
	2014	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.

The components of the Parent Company's investments and deposits as of December 31, 2014 and 2013 are as follows:

	2014	2013
Investments in shares of stock:		
Subsidiaries	**$2,352,920**	$2,261,670
Associates	**220**	220
	2,353,140	2,261,890
Deposits for future stock subscriptions	**100,211**	53,689
	$2,453,351	$2,315,579

Movements of investments in shares of stock are as follows:

	2014	2013
Acquisition cost of investments:		
Balance at beginning of year	**$2,265,656**	$1,465,672
Additions	**1,091**	109
Conversion of deposits to investments	**90,159**	390,853
Conversion of advances to investments [see Note 14b]	**–**	409,022
	2,356,906	2,265,656
Less provision for impairment loss	**3,766**	3,766
Balance at end of year	**$2,353,140**	$2,261,890

As of December 31, 2014 and 2013, the provision for impairment loss pertains to the Parent Company's investment in BPPC.

Details of deposits for future stock subscriptions are as follows:

	2014	2013
FG Meridian Holdings	**$41,445**	$–
AlliedGen	**38,574**	40,549
FGen LNG Holdings	**17,598**	–
Northern Terracotta	**2,582**	9,558
FG Visayas Hydro	**12**	–
Prime Terracota	**–**	2,403
FG Mindanao Hydro	**–**	1,179
	$100,211	$53,689

Movements of deposits for future stock subscriptions are as follows:

	2014	2013
Balance at beginning of year	**$53,689**	$393,257
Additions for the year	**136,681**	51,285
Conversion of deposits to investment	**(90,159)**	(390,853)
Balance at end of year	**$100,211**	$53,689

FG Meridian Holdings

In 2014, the Parent Company made deposits for future stock subscriptions amounting to $72.6 million to FG Meridian Holdings for conversion to a fixed number of stocks.

On July 28, 2014, the BOD of FG Meridian Holdings approved the increase in authorized capital stock of FG Meridian Holdings from ₱0.1 million divided into 100,000 common stocks with a par value of ₱1.0 per share to ₱550.0 million divided into 50,000,000 common stocks with a par value of ₱1.0 per share, and 5,000,000 preferred stocks with a par value of ₱100.0 per share. On December 23, 2014, the Philippine SEC approved the increase in authorized capital stock of FG Meridian Holdings.

On the same date, the Philippine SEC approved the subscription of the Parent Company to 12,500,000 common stocks with a par value of ₱1.0 per share, and 1,250,000 preferred stocks with a par value of ₱100.0 per share. The subscription was paid through the conversion of the Parent Company's then outstanding deposits for future stock subscriptions amounting to $31.2 million (₱1,375.0 million).

On December 15, 2014, the BOD of FG Meridian Holdings approved the Parent Company's additional subscription to 8,449,865 common stocks with a par value of ₱1.0 per share, and 1,750,000 preferred stocks with a par value of ₱100.0 per share at a subscription price of $41.4 million (₱1,834.5 million) to be paid by way of conversion of the Parent Company's existing deposits for future stock subscriptions. In February 2015, FG Meridian Holdings submitted its notice of confirmation to the Philippine SEC.

AlliedGen

In 2014 and 2013, the Parent Company made deposits for future stock subscriptions amounting to $43.8. million and $40.5 million, respectively, to AlliedGen for conversion to a fixed number of stocks.

On December 15, 2014, the BOD of AlliedGen approved the Parent Company's subscription to 1,753,436 preferred stocks with a par value of ₱100.0 per share at a subscription price of $38.6 million (₱1,753.4 million) to be paid by way of conversion of the Parent Company's existing deposits for future stock subscriptions. In February 2015, AlliedGen submitted its notice of confirmation to the Philippine SEC.

On May 12, 2014, the Parent Company and Allied Gen executed a Deed of Assignment to assign its deposits for future stock subscriptions amounting to $5.3 million (₱236.2 million) for 236,180 preferred stocks to fully pay the balance of the original 2,000,000 preferred stocks subscribed last December 6, 2013.

On December 6, 2013, the BOD of AlliedGen approved the increase in authorized capital stock of AlliedGen from ₱100.0 million to ₱900.0 million divided into 1,000,000 common stocks with a par value of ₱1.0 per share, and 8,000,000 preferred stocks with a par value of ₱100.0 per share. On January 21, 2014, the Philippine SEC approved the increase in authorized capital stock of AlliedGen.

On the same date, the Philippine SEC approved the subscription of the Parent Company to 2,000,000 preferred stocks and the subscription was paid through the conversion of the Parent Company's outstanding deposits for future stock subscriptions. The Parent Company paid-up the subscription amount of $40.5 million (₱1,763.8 million) for 1,763,820 preferred stocks.

On December 17, 2012, the BOD of AlliedGen approved the Parent Company's subscription to 170,000 common stocks with a par value of ₱100.0 per share at a subscription price of $4.0 million (₱170.0 million) to be paid by way of conversion of the Parent Company's existing deposits for future stock subscriptions. On December 21, 2012, AlliedGen submitted its application to the Philippine SEC and, on February 12, 2013, the Philippine SEC issued a confirmation on AlliedGen's application.

FGen LNG Holdings

In 2014, the Parent Company made deposits for future stock subscriptions amounting to $17.6 million to FGen LNG Holdings for conversion to a fixed number of stocks.

On October 1, 2014, the BOD of FGen LNG Holdings approved the increase in authorized capital stock of FGen LNG Holdings from ₱0.1 million to ₱1,500.0 million divided into 500,000,000 common stocks with a par value of ₱1.0 per share, and 10,000,000 preferred stocks with a par value of ₱100.0 per share. On January 7, 2015, the Philippine SEC approved the increase in authorized capital stock of FGen LNG Holdings.

On the same date, the Philippine SEC approved the Parent Company's subscription to 496,000,000 common stocks with a par value of ₱1.0 per share, and 2,500,000 preferred stocks with a par value of ₱100.0 per share. The subscription was paid through the conversion of the Parent Company's then outstanding deposits for future stock subscriptions amounting to $16.8 million (₱746.0 million).

On December 15, 2014, the BOD of FGen LNG Holdings approved the Parent Company's subscription to 75,000 common stocks with a par value of ₱1.0 per share, and 339,350 preferred stocks with a par value of ₱100.0 per share at a subscription price of $0.8 million (₱34.0 million) to be paid by way of conversion of the Parent Company's existing deposits for future stock subscriptions.

FG Visayas Hydro

In 2014, the Parent Company made deposits for future stock subscriptions amounting to $0.01 million to FG Visayas Hydro for conversion to a fixed number of stocks.

Northern Terracotta

In 2014 and 2013, the Parent Company made deposits for future stock subscriptions amounting to $2.6 million and $9.6 million, respectively, to Northern Terracotta for conversion to a fixed number of stocks.

On December 15, 2014, the BOD of Northern Terracota approved the Parent Company's subscription to 111,000 preferred stocks with a par value of ₱100.0 per share at a subscription price of $2.6 million (₱111.0 million) to be paid by way of conversion of the Parent Company's existing deposits for future stock subscriptions. In February 2015, Northern Terracotta submitted its notice of confirmation to the Philippine SEC.

On November 21, 2013, the BOD of Northern Terracotta approved the Parent Company's subscription to 389,000 preferred stocks with a par value of ₱100.0 per share at a subscription price of $9.6 million (₱389.3 million) to be paid by way of conversion of the Parent Company's existing deposits for future stock subscriptions. On December 18, 2013, Northern Terracotta submitted its application to the Philippine SEC and, on January 24, 2014, the Philippine SEC issued a confirmation on Northern Terracotta's application.

On February 11, 2013, the Philippine SEC approved the increase in authorized capital stock of Northern Terracotta from ₱0.1 million to ₱500.1 million divided into 100,000 common stocks with a par value of ₱1.0 per share and 5,000,000 preferred stocks with a par value of ₱100.0 per share. On the same date, the Philippine SEC approved the Parent Company's subscription to 4,500,000 preferred stocks at a subscription price of $101.8 million (₱4,410.4 million), and the subscription was paid through the conversion of the Parent Company's outstanding deposits for future stock subscriptions.

Prime Terracota

On November 21, 2013, the BOD of Prime Terracota approved the Parent Company's subscription to 1,031,000 Class "C" preferred stocks with a par value of ₱10.0 per share at a subscription price of $2.4 million (₱103.1 million) to be paid by way of conversion of the Parent Company's existing deposits for future stock subscriptions. On December 18, 2013, Prime Terracota submitted its application to the Philippine SEC and, on January 24, 2014, the Philippine SEC issued a confirmation on Prime Terracota's application.

On 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) amounting to $1.1 million (₱48.5 million).

FG Mindanao

In 2013, the Parent Company made deposits for future stock subscriptions amounting to $1.2 million to FG Mindanao for conversion to a fixed number of stocks.

On November 21, 2013, the BOD of FG Mindanao approved the Parent Company's subscription to 4,100,000 common stocks with a par value of ₱1.0 per share at a subscription price of $1.2 million (₱48.1 million) to be paid by way of conversion of the Parent Company's existing deposits for future stock subscriptions. On December 18, 2013, FG Mindanao submitted its application to the Philippine SEC and, on January 22, 2014, the Philippine SEC issued a confirmation on FG Mindanao's application.

On December 17, 2012, the BOD of FG Mindanao approved the Parent Company's subscription to 3,400,000 common stocks with a par value of ₱1.0 per share at a subscription price of $0.8 million (₱34.0 million) to be paid by way of conversion of the Parent Company's existing deposits for future stock subscriptions. On December 21, 2012, FG Mindanao submitted its application to the Philippine SEC and, on February 11, 2013, the Philippine SEC issued a confirmation on FG Mindanao's application.

Blue Vulcan

On September 20, 2013, the Philippine SEC approved the increase in authorized capital stock of Blue Vulcan from ₱1,300.0 million to ₱3,100.0 million divided into 300,000,000 common stocks with a par value of ₱1.0 per share, and 28,000,000 preferred stocks with a par value of ₱100.0 per share.

On the same date, the Philippine SEC approved the subscription of the Parent Company to 18,000,000 preferred stocks and the subscription was paid through conversion of Blue Vulcan's advances including interest receivable amounting to $409.0 million (₱17,669.7 million) (see Note 14).

On February 11, 2013, the Philippine SEC approved the increase in authorized capital stock of Blue Vulcan from ₱300.0 million to ₱1,300.0 million divided into 300,000,000 common stocks with a par value of ₱1.0 per share; and 10,000,000 preferred stocks with a par value of ₱100.0 per share.

On the same date, the Philippine SEC approved the Parent Company's subscription to 9,500,000 preferred stocks, and the subscription was paid through the conversion of the Parent Company's outstanding deposits for future stock subscriptions amounting to $218.9 million (₱9,292.7 million).

Unified

The deposits for future stock subscriptions include $42.4 million deposits for subscriptions to 1,696,925 redeemable preferred stocks in Unified and another $32.6 million deposits for future stock subscriptions to redeemable preferred stock. On July 31, 2003, deposits for future stock subscriptions amounting to $8.5 million were returned by Unified to the Parent Company as approved by the BOD on June 9, 2003. In 2008, the deposits for future stock subscriptions amounting to $1.1 million were returned by Unified to the Parent Company.

On November 15, 2013, the Philippine SEC approved the increase in authorized capital stock of Unified from ₱0.1 million to ₱300.1 million divided into 1,000 common stocks with a par value of ₱100.0 per share, and 3,000,000 preferred stocks with a par value of ₱100.0 per share.

On the same date, the Philippine SEC approved the Parent Company's subscription to 3,000,000 preferred stocks, and the subscription was paid through the conversion of the Parent Company's outstanding deposits for future stock subscriptions amounting to $65.4 million (₱3,121.8 million).

FGES

In 2013 and 2012, the Parent Company made deposits for future stock subscriptions amounting to $0.2 million to FGES for conversion to a fixed number of stocks. The total deposits for future stock subscriptions amounting to $0.3 million (₱11.5 million) was applied to the subscription receivable balance of FGES in 2012.

FG Hydro

Divestment of 60% Equity Stake in FG Hydro

- On October 16, 2008 (the "First Closing Date"), First Gen (as "Seller"), EDC (as "Buyer") and FG Hydro (collectively referred to as "Parties"), executed a Share Purchase and Investment Agreement (SPIA) for the divestment of First Gen's 60% equity stake in FG Hydro. FG Hydro owns and operates the newly upgraded and rehabilitated 132 MW PAHEP/MAHEP in Pantabangan, Nueva Ecija. PAHEP/MAHEP was acquired by FG Hydro on September 8, 2006 as a part of NPC's asset privatization.

- Pursuant to the terms and conditions of the SPIA, the following transactions constituted the divestment:

  a. EDC subscribed to 101,281,942 newly issued common stocks of FG Hydro on the First Closing Date;
  b. First Gen sold 249,287,223 common stocks of its holdings in FG Hydro to EDC on November 17, 2008 (the "Second Closing Date"); and
  c. First Gen shall subscribe to 500,000 preferred stocks of FG Hydro.

- Consistent with the SPIA, the acquisition by EDC was through a combination of primary issuance by FG Hydro of up to 17% interest and sale of secondary stocks by First Gen of up to 43% interest in FG Hydro. Further, FG Hydro returned to First Gen the deposits for future stock subscriptions amounting to $13.0 million (₱648.0 million).

- On October 20, 2008, the Parties executed a First Supplement to the SPIA whereby the issuance of the preferred stocks to First Gen shall be deferred pending finalization of the features of the preferred stocks.

- On the Second Closing Date, First Gen completed the divestment of its 60% equity stake in FG Hydro in favor of EDC for a total consideration of $85.2 million (₱4.3 billion).

- As a result of the divestment, First Gen's direct voting interest in FG Hydro is 40% and its effective economic interest is 64%.

- FG Hydro was subsequently deconsolidated on May 12, 2009 due to the dilution of Parent Company's controlling interest over Prime Terracota.

- In March 2011, the Parties have agreed to amend the features of the preferred stocks covered by the First Supplement to the SPIA. As such, an amendment to FG Hydro's Articles of Incorporation was submitted to the Philippine SEC. On May 9, 2011, the Philippine SEC approved the amendment to FG Hydro's Articles of Incorporation reclassifying the unissued redeemable preferred stocks into redeemable preferred "A" and "B" series. Following the approval of the amended articles of incorporation of FG Hydro, the Parent Company has fully subscribed to 500,000 redeemable preferred stocks Series B, with an issue value of ₱0.5 million, in June 2011. Included in the features of the redeemable preferred stocks Series B is that it shall earn cumulative dividends for each year during the period commencing January 1, 2009 and ending on December 31, 2013, as may be declared and paid from time to time in amounts and on such dates as may be declared by FG Hydro's BOD, subject to the availability of FG Hydro's retained earnings.

- In 2014 and 2013, FG Hydro declared and paid cash dividends to its redeemable preferred stocks Series B shareholders amounting to $8.6 million (₱378.2 million) and $14.4 million (₱591.2 million), respectively. FG Hydro also declared and paid cash dividends to its common shareholders amounting to $6.2 million (₱280.0 million) and $8.7 million (₱360.0 million) for the years ended December 31, 2014 and 2013, respectively.

BPPC/FPPC

FPPC has a 93.25% voting and economic interest in BPPC. BPPC assumed the rights and obligation of FPPC under Project Agreement signed by FPPC with NPC, granting FPPC the right to build and operate a bunker-fired diesel power plant.

BPPC then undertook the construction and operation of the 225 MW bunker-fired diesel generator power plant (power plant) in Bo. Payocpoc Sur, Bauang, La Union and turned over the power plant to NPC on July 26, 2010 to mark the end of the 15-year Cooperation Period under the Project Agreement. As a result of the expiration of the Project Agreement, the Parent Company recognized a provision for impairment loss amounting to nil and $0.3 million presented in the parent company statements of income for the years ended December 31, 2013 and 2012, respectively.

On October 14, 2010, the BOD and stockholders of BPPC and FPPC approved the Plan of Merger where FPPC shall be merged into and be part of BPPC, and its separate corporate existence shall cease by operation of law. Subsequently, on December 13, 2010, the Philippine SEC approved the Certificate of Filing of the Articles and Plan of Merger. On December 15, 2010, the effective date of the Merger, FPPC transferred its assets and liabilities at their carrying values to BPPC.

Pursuant to the Articles of Merger, BPPC issued common stock to holders of FPPC common stock upon the surrender and cancellation of common stock of FPPC. The merger was accounted for in accordance with the pooling of interest method where the identifiable assets acquired and liabilities assumed from FPPC are recognized at their carrying values and accounted for prospectively.

As of December 31, 2014 and 2013, the investment in BPPC amounted to $0.2 million.

FGNEC

On August 29, 2014, the BOD of FGNEC approved the shortening of the term of FGNEC's existence from 50 years from and after the date of issuance of the certificate of incorporation to "until December 31, 2015."

8. Property and Equipment

	2014				
	Buildings and Building Improvements	**Transportation Equipment**	**Furniture, Fixtures and Office Equipment**	**Leasehold Improvements**	**Total**
Cost					
Balance at beginning of year	**$340**	**$828**	**$1,058**	**$191**	**$2,417**
Additions	**–**	**185**	**178**	**–**	**363**
Disposals	**–**	**(54)**	**(6)**	**–**	**(60)**
Balance at end of year	**340**	**959**	**1,230**	**191**	**2,720**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**119**	**449**	**764**	**153**	**1,485**
Depreciation and amortization (see Note 15)	**18**	**153**	**136**	**–**	**307**
Disposals	**–**	**(37)**	**(6)**	**–**	**(43)**
Balance at end of year	**137**	**565**	**894**	**153**	**1,749**
Net Book Value	**$203**	**$394**	**$336**	**$38**	**$971**

	2013				
	Buildings and Building Improvements	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Total
Cost					
Balance at beginning of year	$340	$818	$921	$191	$2,270
Additions	–	690	142	–	832
Disposals	–	(680)	(5)	–	(685)
Balance at end of year	340	828	1,058	191	2,417
Accumulated Depreciation and Amortization					
Balance at beginning of year	101	344	558	153	1,156
Depreciation and amortization (see Note 15)	18	151	211	–	380
Disposals	–	(46)	(5)	–	(51)
Balance at end of year	119	449	764	153	1,485
Net Book Value	$221	$379	$294	$38	$932

No borrowing costs were capitalized for the years ended December 31, 2014 and 2013.

9. Accounts Payable and Accrued Expenses

This account consists of:

	2014	2013
Accounts payable	**$377**	$376
Accrued interest and financing costs (see Note 11)	**5,867**	5,822
Others	**2,541**	3,337
	$8,785	$9,535

Accounts payable are noninterest-bearing and are normally settled on 30 to 60-day payment terms. Accrued interest and financing costs, and other payables are normally settled semi-annually throughout the year.

10. **Bonds Payable**

Convertible Bonds (CBs)

On February 11, 2008, the Parent Company issued $260.0 million, U.S. dollar-denominated CBs due on February 11, 2013 with a coupon rate of 2.50%. The CBs were listed on the Singapore Exchange Securities Trading Limited (SGEX). The CBs constituted the direct, unsubordinated and unsecured obligations of the Parent Company, ranking *pari passu* in right of payment with all other unsecured and unsubordinated debt of the Parent Company during the period it was outstanding.

The CBs included an equity conversion option whereby each bond could have been convertible, at the option of the holder, into fully-paid shares of common stock of the Parent Company. The initial conversion price was ₱63.72 a share with a fixed exchange rate of $1.00 to ₱40.55, subject to adjustments under circumstances described in the Terms and Conditions of the CBs. The conversion price was subsequently adjusted to ₱26.94 a share to consider the effect of the stock dividend and the Rights Offering. The conversion right attached to the CBs could only be exercised, at the option of the holder, until 3:00 pm of January 31, 2013. The CBs and the stocks to be issued upon conversion of the CBs (and the stocks that would have been issued upon conversion of the CBs) were not be registered under the U.S. Securities Act of 1933, as amended, and subject to certain exceptions, were not offered or sold within the U.S. In addition, the conversion right was subject to a cash settlement option whereby the Parent Company could elect to make a cash settlement payment in respect of all or any portion of a holder's bonds deposited for conversion. The Parent Company also had a call option where it could redeem the CBs on or after February 11, 2010, in whole but not in part, at the early redemption amount, if the closing price of the stocks for any 20 trading days out of the 30 consecutive trading days prior to the date upon which the notice of such redemption is given, was at least 130% of the conversion price in effect of such trading period, or at any time prior to maturity, in whole but not in part, at the early redemption amount, if less than 10% of the aggregate principal amount of the CBs originally issued were then outstanding. The Bondholders had a put option which gave them the right to require the Parent Company to redeem the CBs at the early redemption amount on February 11, 2011. The early redemption amount was determined so that it represents 7.25% gross yield to the Bondholder on a semi-annual basis. The equity conversion, call and put option features of the CB were identified as embedded derivatives and were separated from the host contract. Until the full redemption of the CBs on February 11, 2013, the Parent Company was in compliance with the bond covenants.

On February 11, 2011, the holders of the CBs amounting to $72.5 million exercised their put option to require the Parent Company to redeem all or some of the CBs, at a price of 115.6% of the face value. The total put value which equals the carrying amount of the CBs amounting to $83.8 million (with a face value of $72.5 million) was paid on February 11, 2011. In 2011, in addition to the redeemed CBs, the Parent Company bought back CBs with a face value of $43.5 million for a total settlement amount of $53.7 million, inclusive of a premium amounting to $10.2 million. In 2012, the Parent Company bought back CBs with a face value of $13.0 million for a total settlement amount of $16.4 million, inclusive of a premium amounting to $3.4 million.

On February 11, 2013, the Parent Company fully redeemed the remaining balance of the CBs for a total settlement amount of $73.0 million, inclusive of a premium amounting to $16.0 million.

As of December 31, 2013, the carrying amount of the host contract amounted to nil.

The movements of the account are as follows:

	2013
Balances at beginning of year	$72,578
Accretion for the year charged to the "Interest expense and financing charges" account (see Note 15)	394
Full settlement of convertible bonds	(72,972)
Balances at end of year	$–

11. **Long-term Debts**

This account consists of long-term debts as follows:

	2014	2013
$300.0M Notes	**$296,773**	$296,511
$100.0M Notes Facility	**94,903**	97,003
Total	**391,676**	393,514
Less current portion	**3,595**	2,101
Noncurrent portion	**$388,081**	$391,413

$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 $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 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 SGEX.

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, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. As of December 31, 2014 and 2013, the Parent Company is in compliance with the terms of the Notes.

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 December 31, 2013 are as follows:

	2014	2013
Balance at beginning of year/inception of the loan	**$3,489**	$3,547
Accretion during the year charged to the "Interest expense and financing charges" account (see Note 15)	**(263)**	(58)
Balance at end of year	**$3,226**	$3,489

$100.0 Million Notes Facility
On December 17, 2010 (the "Effective Date"), the Parent Company, Banco De Oro (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 December 31, 2014 and 2013, the Parent Company is in compliance with the terms of the Notes Facility Agreement.

As of December 31, 2014 and 2013, the unamortized debt issuance costs amounted to $1.1 million and $1.5 million, respectively. The movements of the account are as follows:

	2014	2013
Balance at beginning of year	**$1,497**	$1,883
Accretion during the year charged to the "Interest expense and financing charges" account (see Note 15)	**(399)**	(386)
Balance at end of year	**$1,098**	$1,497

12. **Equity**

a. Capital Stock

Details and movements of the Parent Company's capital stock are as follows:

	Number of Shares	
	2014	2013
Redeemable preferred stock (Series "B") - ₱0.50 par value		
Authorized	**1,000,000,000**	1,000,000,000
Issued	**1,000,000,000**	1,000,000,000
Redeemable preferred stock (Series "E") - ₱0.50 par value		
Authorized	**1,500,000,000**	1,500,000,000
Issued	**468,553,892**	468,553,892
Redeemable preferred stock (Series "F") - ₱10.00 par value		
Authorized	**100,000,000**	100,000,000
Issued	**100,000,000**	100,000,000
Redeemable preferred stock (Series "G") - ₱10.00 par value		
Authorized	**135,000,000**	135,000,000
Issued	**133,750,000**	133,750,000
Common stock - ₱1 par value		
Authorized	**5,000,000,000**	5,000,000,000
Issued:		
Balance at beginning of year	**3,643,320,457**	3,642,777,188
Stocks issued under the stock option plan (see Note 13)	**–**	543,269
Balance at end of year	**3,643,320,457**	3,643,320,457

As of December 31, 2014, the Parent Company's redeemable preferred stock consists 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 December 31, 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. There are no stocks purchased under the program from May 12, 2014 to December 31, 2014.

On January 26, 2011, the BOD of the Parent Company approved the setting of dividend rate of ₱0.01 a share to Series "E" preferred stocks.

On July 25, 2011, the Parent Company issued ₱10.0 billion Perpetual Preferred Shares (the Series "F" Preferred Stocks) at a dividend rate of 8.0%. The Parent Company approved and authorized the issuance by way of private placement or issuance to Qualified Buyers under Sections 10.1 (k) and (l) of the SRC of One Hundred Million (100,000,000) of its Series "F" Preferred Stocks with a par value of ₱10 a share and an issue price of ₱100 a share. The Series

"F" Preferred Stocks are cumulative, non-voting, non-participating, non-convertible and peso-denominated. On the seventh anniversary of the issue date or on any dividend payment date thereafter, the Parent Company shall have the option, but not the obligation, to redeem all of the Series "F" Preferred Stocks outstanding. Total proceeds of the issuance of the Series "F" Preferred Stocks amounted to $235.7 million (₱10.0 billion). Transaction costs amounting to $1.2 million (₱53.0 million) was incurred and deducted from the additional paid-in capital.

On November 16, 2011, the BOD of the Parent Company approved the following amendments/matters to Article Seventh of the Parent Company's Amended Articles of Incorporation:

- to create 135 million Series "G" preferred stocks with a par value of ₱10 a share with the following features: issue value and dividend rate to be determined by the BOD at the time of issuance, entitled to cumulative dividends, non-voting, non-participating, redeemable at the option of the Parent Company and in the event of liquidation, dissolution, distribution of assets or winding-up of the Parent Company shall be entitled to be paid at their issue value plus any accrued and unpaid dividends thereon;

- to increase the authorized capital stock from ₱7,250.0 million to ₱8,600.0 million; and,

- to file the corresponding amendments to Article Seventh of the Parent Company's Amended Articles of Incorporation to reflect the above items.

The above amendments/matters were submitted and approved by the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock during a special stockholders meeting held on January 25, 2012.

On February 27, 2012, FPH subscribed to 33,750,000 Series "G" Preferred Stocks for ₱337.5 million ($7.7 million) in connection with the Parent Company's application to increase its authorized capital stock.

On March 13, 2012, the Philippine SEC approved the increase in authorized capital stock of the Parent Company from ₱7,250.0 million to ₱8,600.0 million divided into 5,000,000,000 common stocks with a par value of ₱1 a share; 1,000,000,000 redeemable preferred stocks (Series "A" to "D") with a par value of ₱0.50 a share; 1,500,000,000 redeemable preferred stocks (Series "E") with a par value of ₱0.50 a share; 100,000,000 redeemable preferred stocks (Series "F") with a par value of ₱10 a share, and 135,000,000 redeemable preferred stocks (Series "G") with a par value of ₱10 a share.

On May 18, 2012, the Parent Company issued ₱10.0 billion Series "G" Perpetual Preferred Shares (the Series "G" Preferred Stocks") at a dividend rate of 7.7808%. The BOD of the Parent Company approved and authorized the issuance by way of public offer to be listed and traded on the First Board of the PSE of One Hundred Million (100,000,000) of its Series "G" Preferred Stocks with a par value of ₱10 a share and an issue price of ₱100 a share. The Series "G" Preferred Stocks are cumulative, non-voting, non-participating, non-convertible and peso-denominated. On the tenth anniversary of the issue date or on any dividend payment date thereafter, the Parent Company shall have the option, but not the obligation, to redeem all of the Series "G" Preferred Stocks outstanding. Total proceeds from the issuance of the Series "G" Preferred Stocks amounted to $234.4 million (₱10.0 billion). Transaction costs amounting to $2.2 million (₱95.2 million) was incurred and deducted from the additional paid-in capital.



On May 25, 2012, FPH invested an additional $42.2 million (₱1.8 billion) by paying for the difference between the issue price it previously paid or ₱10 a share, and the issue price for the publicly-offered shares of ₱100 a share on the Twenty Million (20,000,000) Series "G" Preferred Stocks.

b. Retained Earnings

On November 13, 2014, the BOD of the Parent Company approved the declaration of 2015 cash dividends on its issued and outstanding preferred stocks as follows:

- For all outstanding Series "B" preferred stocks, cash dividends of two centavos (₱0.02) a share;
- For all outstanding Series "E" preferred stocks, cash dividends of one centavo (₱0.01) a share;
- For all outstanding Series "F" perpetual preferred stocks, cash dividends of four pesos (₱4.00) a share;
- 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; 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.

The above cash dividends have a record date of January 5, 2015 and a payment date of January 26, 2015.

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;
- 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; 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.

The above cash dividends have a record date of July 1, 2014 and a payment date of July 25, 2014.

On November 21, 2013, the BOD of the Parent Company approved the declaration of 2014 cash dividends on its issued and outstanding preferred stocks as follows:

- For all outstanding Series "B" preferred stocks, cash dividends of two centavos (₱0.02) a share;

- For all outstanding Series "E" preferred stocks, cash dividends of one centavo (₱0.01) a share;

- For all outstanding Series "F" perpetual preferred stocks, cash dividends of four pesos (₱4.00) a share;

- 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; 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.

The above cash dividends have a record date of January 2, 2014 and a 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.

On June 19, 2013, the BOD of the Parent Company approved the declaration of cash dividends on its issued and outstanding preferred stocks as follows:

- For all outstanding Series "F" perpetual preferred stocks, cash dividends of four pesos (₱4.00) a share;

- 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; 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.

The above cash dividends have a record date of July 3, 2013 and a payment date of July 25, 2013.

On November 21, 2012, the BOD of the Parent Company approved the declaration of 2013 cash dividends on its preferred stocks as follows:

- For all outstanding Series "B" preferred stocks, cash dividends of two centavos (₱0.02) a share;

- For all outstanding Series "E" preferred stocks, cash dividends of one centavo (₱0.01) a share;

- For all outstanding Series "F" perpetual preferred stocks, cash dividends of four pesos (₱4.00) a share;

- 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; 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.

The above cash dividends have a record date of January 2, 2013 and a payment date of January 25, 2013.

As of December 31, 2014 and 2013, total unpaid cash dividends on preferred shares declared amounting to $20.1 million (₱896.9 million) and $20.2 million (₱896.9 million), respectively, are presented as "Dividends payable" in the parent company statements of financial position.

The retained earnings balance is restricted to the extent of: (a) acquisition price of the treasury stocks amounting to $53.0 million as of December 31, 2014 and 2013; and (b) the undistributed net earnings of subsidiaries and associates amounting to $286.1 million and $220.5 million as of December 31, 2014 and 2013, respectively. Undistributed earnings of the subsidiaries and associates are not available for dividend distribution until such time that the Parent Company receives the dividends from these investee companies.

c. Treasury Stocks

As of December 31, 2014 and 2013, the Parent Company has common stocks held in treasury totaling to 279,406,700 shares amounting to $53.0 million. There was no acquisition of the Parent Company's common and preferred stocks in 2014 and 2013.

On January 20, 2015, the Parent Company authorized the issuance of 279,406,700 common stocks to be taken from its treasury stock at issue price of ₱25.25 per share (the "Offer Price"). The price represents a 2.9 % discount to the last traded price of ₱26.00 per share.

13. **Share-based Payment Plans**

Executive Stock Option Plan (ESOP)
The Parent Company has an ESOP, which entitles the option grantees to acquire common stocks of the Parent Company, which stocks shall not at any grant date, exceed four percent (4%) of the total issued and outstanding common stocks of the Parent Company.

Options under the ESOP vest within a five-year period. Awards granted prior to the IPO were pegged at a fixed exercise price in accordance with the ESOP, subject to adjustments in certain cases. Any option granted after the IPO is subject to a purchase price determined at the option grant date based on the average closing price of the Parent Company's common stocks at the stock exchange for 20 market days prior to the grant, subject to a discount, but in no case shall the purchase price be less than the par value. The terms of the ESOP include, among others, a one-year holding period from the date of award of an option, a limit as to the number of stocks an executive may purchase and settle by payment in cash or check the full amount of the price of the stocks over which the option is exercised. The contractual life of options granted is ten (10) years, with no cash settlement alternative.

On July 1, 2003, a total of 452,285 common stocks of the Parent Company's unissued common stocks have been reserved for the grantees. By virtue of the common stock split and common

stock dividends declared and approved by the Parent Company's BOD and stockholders on April 4, 2005, the number of options and price per share granted to all executives have been adjusted automatically in accordance with the terms of the ESOP. Accordingly, (i) the number of common stocks reserved for the grantees has been adjusted from 452,285 common stocks to 18,091,400 common stocks; (ii) the total number of common stocks that have been awarded to be granted over a five-year period under the ESOP has been adjusted from 409,756 common stocks to 15,856,800 common stocks; and (iii) the exercise price of ₱528.00 a share has been reduced to ₱13.20 a share. The exercise price was further adjusted from ₱13.20 per share to ₱8.80 per share following the issuance of 50% stock dividends as approved by the Philippine SEC on August 27, 2009. The contractual life of the stock options has ended on July 1, 2013. There were no ESOP granted in 2014 and 2013. All ESOP previously granted had already vested. No further grants/awards have been made under the ESOP.

In 2013, the movements in the number of stock options granted under ESOP are as follows:

	Number of Shares
Balance at beginning of year	616,907
Exercised during the year	(543,269)
Forfeited during the year	(73,638)
Balance at end of year	–
Exercisable at end of year	–

The weighted average stock price at the dates of options exercise was ₱19.67 a share in 2013.

Employee Stock Purchase Plan (ESPP)

The Parent Company has an ESPP, which entitles the eligible employees to acquire the common stocks of the Parent Company, provided that such stocks shall not at any grant date exceed one percent (1%) of the total issued and outstanding common stocks of the Parent Company. The stocks may be acquired under the ESPP at fair market price equal to the average of the closing price of the common stocks on the exchange for the 20 market days immediately preceding the grant date. A grantee under the ESPP shall have five years to complete payments on the common stocks acquired pursuant to the plan, with a right to prepay after two years. For the year ended December 31, 2013, no award or sale of stocks under the ESPP has been granted to any employee.

14. 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. The Parent Company received cash dividends from its subsidiaries totaling to $222.4 million and $78.8 million for the years ended December 31, 2014 and 2013, respectively, which are shown as "Dividend income" in the parent company statements of income. Such dividends were declared by the following subsidiaries:

	2014	2013
BVHC	**$98,361**	$–
FGHC	**63,417**	40,709
Unified	**39,733**	10,200
FG Hydro	**14,844**	23,114
Others	**6,016**	4,793
	$222,371	$78,816

b. The details of the Parent Company's "Advances from subsidiaries" and "Advances to a subsidiary" account are as follows:

Advances from FGPC
In November 2008, a portion of the proceeds of the loan availed by FGPC from a consortium of nine foreign banks amounting to $154.9 million was upstreamed to the Parent Company. Such advances from a subsidiary 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 banks in the Philippines, provided however, that such interest rate shall in no case exceed 5.8%. As of December 31, 2014 and 2013, advances from FGPC including accrued interest amounted to $108.1 million and $119.7 million, respectively, are recorded under the "Advances from subsidiaries" account in the parent company statements of financial position.

Advances from Goldsilk
On May 30, 2012, the Parent Company issued a five-year promissory note to Goldsilk amounting to $258.5 million payable at maturity with fixed interest rate of 2.0% per annum.

On October 27, 2014, the Parent Company partially paid a portion of the promissory note amounting to $67.6 million (inclusive of accrued interest amounting to $9.1 million). On the same date, the Parent Company and Goldsilk amended the promissory note from interest bearing to non-interest bearing.

As of December 31, 2014 and 2013, advances from Goldsilk including accrued interest amounted to $200.0 million and $264.7 million, respectively, are recorded under the "Advances from subsidiaries" account in the parent company statements of financial position.

On February 9, 2015, the Parent Company fully paid the promissory note amounting to $200.0 million.

Advances from FGP
On November 5, 2012, a portion of proceeds of the loan availed by FGP from a facility with seven local banks amounting to $195.6 million was upstreamed to the Parent Company by issuance of a promissory note. Such advances from a subsidiary are subject to a fixed interest rate of 2.5%. As of December 31, 2014 and 2013, the advances from FGP including accrued interest amounted to $176.1 million and $200.3 million, respectively, are recorded under the "Advances from subsidiaries" account in the parent company statements of financial position.

Advances to Blue Vulcan
On May 30, 2012, Blue Vulcan issued a five-year promissory note to the Parent Company amounting to $400.0 million payable at maturity with fixed interest rate of 2.0% per annum.

On September 20, 2013, the Philippine SEC approved the subscription of the Parent Company to 18,000,000 preferred stocks of Blue Vulcan through conversion of advances, including interest receivable, amounting to $409.0 million (₱17,669.7 million) (see Note 7).

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 12, 2009, the Parent Company and EDC agreed to adjust the monthly fee from $0.2 million (₱8.7 million net of withholding taxes plus VAT) to $0.3 million (₱11.8 million net of withholding taxes plus VAT) effective September 2009 to cover the cost of additional officers and staff assigned to EDC. 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.

On January 30, 2013, the Parent Company and EDC agreed to extend the Consultancy Agreement for another period of 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). Consultancy fees amounting to $4.1 million and $4.3 million for the years ended December 31, 2014 and 2013, respectively, are included in the "Management fee" account in the parent company statements of income. The Parent Company has outstanding receivables from EDC related to the foregoing amounting to $1.0 million as of December 31, 2014 and 2013, and are included in the "Other current assets" account in the parent company statements of financial position (see Note 6).

d. Except for the U.S. dollar-denominated advances from/to subsidiaries, all other advances to and from related parties represent noninterest-bearing U.S. dollar and Philippine peso-denominated emergency loans to meet working capital and investment requirements of the Parent Company. Such advances to and from related parties are payable on demand.

e. The Parent Company has a non-cancelable lease agreement with FPRC on its occupied office space. The term of the lease is for a period of five years retroactive to August 1, 2003 or upon occupancy of the leased premises, whichever is earlier, and shall automatically expire on July 31, 2007. The lease agreement includes a clause to enable upward revision of the rental charge at a rate agreed-upon by the Parent Company and FPRC at the end of each year. The lease agreement with FPRC was renewed for one year from August 1, 2014 to July 31, 2015.

Future minimum rental payments up to July 31, 2015 under the non-cancelable operating lease with FPRC amounted to $0.03 million as of December 31, 2013. Total rent expense, recognized under "Others" in the "General and administrative" account in the parent company statements of income, each amounted to $0.05 million in 2014 and 2013 (see Note 15).

f. Intercompany Guarantees

In 2014, the Parent Company issued guarantees totaling to $6.4 million in favor of the Board of Investments (BOI), to guarantee the payment of customs duties waived in the event that FNPC and/or PMPC does not comply with the terms and conditions of their respective Certificates of Authority specifically on the installation and permanent use of imported capital equipment, spare parts and accessories that will be installed in the San Gabriel and Avion



power plants. The guarantees shall remain in force until the BOI lifts the same upon compliance by FNPC and PMPC of its obligations under their respective Certificates of Authority.

On July 10, 2014, the Parent Company 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.

g. The ESOP of the Parent Company is available to certain employees of FPH, certain subsidiaries and associates. There are no share-based payment transactions among the employees of FPH and certain subsidiaries and associates of the Parent Company in 2014.

h. Compensation of key management personnel are as follows:

	2014	2013
Short-term employee benefits	**$5,323**	$5,633
Retirement benefits (see Note 16)	**620**	717
	$5,943	$6,350

Terms and Conditions of Transactions with Related Parties. As mentioned above, except for the Parent Company guarantees issued to FNPC and PMPC in relation to the on-going construction of San Gabriel and Avion power plants, respectively, there have been no other guarantees provided for or received from any other related party in 2014 and 2013.

Except for advances to/from subsidiaries, outstanding balances at year end are unsecured, interest-free and settlement occurs in cash. The Parent Company has not recognized any impairment loss on amounts due from related parties for the years ended December 31, 2014 and 2013. This assessment is undertaken each financial year through a review of the financial position of the related parties and the market in which the related party operates.

A summary of the outstanding related party balances (see Note 7) follows:

			Transactions for the Years Ended December 31		Balances as of December 31	
Related Party	Nature of Transactions	Terms	**2014**	2013	**2014**	2013
Due from related parties						
FGEN LNG	Interest-free advances	Unsecured and receivable on demand	**$670**	$11,867	**$632**	$11,608
FGESHI	- do -	- do -	**3,151**	–	**3,157**	–
FGHC	- do -	- do -	**–**	–	**9,554**	9,554
Red Vulcan	- do -	- do -	**919**	2,066	**10,367**	9,427
Prime Meridian	- do -	- do -	**–**	8,892	**–**	8,925
Northern Terracotta	- do -	- do -	**3,976**	–	**7,164**	3,191
FG Mindanao	- do -	- do -	**945**	350	**2,559**	1,701
FPH	- do -	- do -	**–**	1	**799**	805
FG Luzon	- do -	- do -	**381**	1,672	**858**	864
FPIC*	- do -	- do -	**–**	–	**770**	775
FG Prime	- do -	- do -	**500**	190	**1,119**	664
Prime Terracota	- do -	- do -	**896**	207	**1,118**	583
FGRI	- do -	- do -	**–**	–	**–**	335
Allied Gen	- do -	- do -	**–**	330	**322**	324
Blue Vulcan	- do -	- do -	**–**	200	**–**	289
FGNEC	- do -	- do -	**5**	6	**184**	200
FG Visayas	- do -	- do -	**7**	8	**192**	186
FG Premier	- do -	- do -	**92**	52	**206**	119
Goldsilk	- do -	- do -	**220**	–	**217**	–
FNPC	- do -	- do -	**–**	723	**98**	100
FGPC	- do -	- do -	**1**	71	**96**	97

Related Party	Nature of Transactions	Terms	Transactions for the Years Ended December 31		Balances as of December 31	
			2014	2013	**2014**	2013
FG Cabadbaran	- do -	- do -	**$23**	$62	**$81**	$58
FG Puyo	- do -	- do -	**12**	40	**69**	57
FG Bukidnon	- do -	- do -	**–**	1	**53**	54
FG Bubunawan	- do -	- do -	**59**	40	**108**	50
LNG Holdings	- do -	- do -	**68**	–	**68**	–
FNMHCI	- do -	- do -	**–**	18	**22**	22
FGES	- do -	- do -	**–**	–	**–**	18
FGMRC	- do -	- do -	**–**	1	**5**	5
FG Ecopower	- do -	- do -	**254**	2	**200**	–
FGEN Power Ventures	- do -	- do -	**287**	–	**282**	6
FG Tumalaong	- do -	- do -	**1**	5	**6**	5
FG Tagoloan	- do -	- do -	**2**	5	**6**	4
Others**	- do -	- do -	**9**	4	**16**	10
FPRC	Rent expense	Payable monthly	**1**	1	**–**	–
			$12,479	$26,814	**$40,328**	$50,036
Due to related parties						
Onecore	Interest-free advances	Unsecured and payable on demand	**$–**	$6,830	**$76,362**	$76,362
Dualcore	- do -	- do -	**13,314**	16,000	**38,657**	25,343
Blue Vulcan			**11,611**		**11,255**	–
FGP	- do -	- do -	**–**	1	**7,240**	7,240
FGRI			**729**		**376**	–
FGHC International Ltd.*	- do -	- do -	**–**	–	**145**	145
FG Pipeline	- do -	- do -	**7**		**7**	–
			$25,661	$22,831	**$134,042**	$109,090
Advances from subsidiaries**						
Goldsilk	Interest-bearing loan	Unsecured and payable at maturity	**$3,400**	$4,193	**$200,000**	$264,675
FGP	- do -	Unsecured and payable by installment	**3,779**	3,967	**176,091**	200,312
FGPC	- do -	- do -	**5,427**	5,969	**108,073**	119,692
			$12,606	$14,129	**$484,164**	$584,679
Other current assets (see Note 6)						
EDC	Consultancy fees	Unsecured and receivable on demand	**$4,075**	$4,286	**$980**	$987
Blue Vulcan	Interest income	Unsecured and receivable at maturity	**–**	4,244	**–**	–
			$4,075	$8,530	**$980**	$987

* *FGHC International Ltd. and FPIC are subsidiaries of FPH.*

** *Included in"Others"are advances to FG Visayas Energy, Bluespark and LHC.*

*** *Including accrued interest.*

15. Expenses

General and Administrative

	2014	2013
Staff costs	**$8,445**	$8,185
Professional fees	**2,325**	2,738
Taxes and licenses	**2,102**	441
Transportation and travel	**1,162**	768
Depreciation and amortization (see Note 8)	**307**	380
Advertising	**149**	344
Donations	**132**	75
Others	**1,971**	1,201
	$16,593	$14,132

Staff Costs

	2014	2013
Salaries and wages	**$7,394**	$6,971
Retirement benefits (see Note 16)	**1,051**	1,214
	$8,445	$8,185

Interest Expense and Financing Charges

	2014	2013
Interest on:		
Long-term debts (see Note 11)	**$28,995**	$10,934
Advances from subsidiaries (see Note 14)	**15,758**	17,660
Convertible bonds (see Note 10)	**–**	544
Accretion of debt issuance costs on		
Long-term debts (see Note 11)	**662**	444
	$45,415	$29,582

16. Retirement Benefits

The following tables summarize the funded status and amounts recognized in the parent company statements of financial position for the retirement plan and the components of net retirement benefits expense recognized as part of "Staff costs" in the "General and administrative expense" account in the parent company statements of income.

Net retirement benefits asset is included in the "Other noncurrent assets" account in the parent company statements of financial position as of December 31, 2014 while the net retirement benefits liability is presented in the "Noncurrent liabilities" portion of the parent company statement of financial position as of December 31, 2013.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.



The amounts recognized in the parent company statements of financial position are as follows:

	2014	2013
Present value of defined benefit obligation	**$6,135**	$6,180
Fair value of plan assets	**(7,320)**	(5,887)
Net retirement benefits liability (asset)	**($1,185)**	$293

The amounts recognized in the parent company statements of income are as follows:

	2014	2013
Current service cost	**$1,059**	$1,242
Net interest	**(8)**	(28)
Retirement benefits expense	**$1,051**	$1,214

Movements in the present value of the defined benefit obligation are as follows:

	2014	2013
Balance at beginning of year	**$6,180**	$6,287
Current service cost	**1,059**	1,242
Interest cost	**271**	320
Actuarial gains due to:		
Experience adjustments	**(72)**	(474)
Changes in financial assumptions	**(1,257)**	(702)
Foreign exchange adjustments	**(46)**	(493)
Balance at end of year	**$6,135**	$6,180

Movements in the fair value of plan assets are as follows:

	2014	2013
Balance at beginning of year	**$5,887**	$6,371
Interest income	**279**	348
Return on plan assets, excluding interest income	**1,209**	(352)
Foreign exchange adjustments	**(55)**	(480)
Balance at end of year	**$7,320**	$5,887
Actual return on plan assets	**$1,488**	($4)

The Parent Company has initially funded the retirement plan in December 2005. The Parent Company expects to contribute nil to the retirement plan in 2015.

The retirement fund of the Parent Company is maintained and managed by BDO Trust and Investment Group. The investing decisions of the Plan are made by its Retirement Committee.

The plan assets' carrying amount approximates its fair value since these are either short-term in nature or marked-to-market.

The plan assets and investments by each class as of December 31, 2014 and 2013 are as follows:

	2014	2013
Investments quoted in active market		
Quoted equity investments		
Industrial - electricity, energy, power and water	**$1,730**	$341
Financials - banks	**1,124**	663
Holding firms	**989**	595
	3,843	1,599
Investments in debt instruments		
Government securities	**2,087**	1,747
Investments in corporate bonds	**193**	315
	2,280	2,062
Unquoted investments		
Cash and cash equivalents	**1,168**	2,199
Receivables and other assets	**38**	35
Liabilities	**(9)**	(8)
	1,197	2,226
Fair value of plan assets	**$7,320**	$5,887

- Cash and cash equivalents, which include regular savings and time deposits;

- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, bear interest ranging from 4.625% to 4.889% and have maturities from 2014 to 2020;

- Investments in government securities, consisting of retail treasury bonds that bear interest ranging from 3.52% to 9.13% and have maturities from 2017 to 2037; and

- As of December 31, 2014 and 2013, investment in equity securities consist of investments in the following securities

Issuer	Relationship	**2014**	2013
LHC	Intermediate parent company	**$989**	$595
FPH	Parent company		
Voting common shares		**1,730**	341
Others	NA	**1,124**	663
		$3,843	$1,599

The carrying amounts of investments in equity securities also approximate their fair values since they are marked-to-market.

For the year ended December 31, 2014, unrealized gain arising from investments in FPH amounted to $0.3 million, and unrealized loss arising from investment in LHC amounted to $0.1 million.

For the year ended December 31, 2013, unrealized losses arising from investments in LHC and FPH amounted to $0.5 million and $0.2 million, respectively.

The details of the realized gains for the years ended December 31, 2014 and 2013 based on the type of securities are as follows:

	2014	2013
Investment in shares of stock	**$119**	$1,127
Investment in government securities	**104**	248
Investment in corporate debt instruments	**13**	12
	$236	$1,387

The voting rights over these equity securities are exercised by the trustee bank.

- Other financial assets held by this plan are primarily accrued interest income on cash deposits and debt securities held by the plan and dividend receivable from equity securities.
- Liabilities of the plan pertain to trust fee payable and retirement benefits payable.

The principal actuarial assumptions used in determining retirement benefit obligations of the Parent Company as at January 1 are as follows:

	2014	2013
Discount rate	**4.68%**	4.73%
Future salary increase rate	**10.00%**	12.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2014, assuming if all other assumptions were held constant:

	Increase/Decrease in Percentage Point	Effect on Present Value of Defined Benefit Obligation
Discount rate	+1%	($589)
	-1%	681
Future salary increases	+1%	$609
	-1%	(542)

The Parent Company estimated that the weighted average duration of benefit payment is 14.96 years in 2014.

Following are the information about the maturity profile of the defined benefit obligations as of December 31, 2014:

	2014
Within the next 12 months	$466,222
Between 2 and 5 years	1,285,704
Between 5 and 10 years	5,680,002
Between 10 and 15 years	9,800,642
Beyond 15 years and 20 years	8,450,758
More than 20 years	7,848,617

17. Income Tax

The components of the deferred income tax asset (liabilities) as of December 31, 2014 and 2013 are as follows:

	2014	2013
Deferred income tax liabilities on:		
Excess amortization of debt issuance cost under effective interest rate method over straight-line method	**($78)**	($70)
Net retirement benefits asset	**(355)**	–
	(433)	(70)
Deferred income tax asset on NOLCO	**433**	70
	$–	$–

Certain deferred income tax assets of the Parent Company have not been recognized since management believes that it is not probable that sufficient future taxable income will be available against which they can be utilized. The deductible temporary differences of certain items in the parent company statements of financial position and the carryforward benefits of NOLCO and MCIT for which no deferred income tax assets were recognized consist of the following:

	2014	2013
NOLCO	**$90,566**	$73,280
MCIT	**991**	993
Net retirement liabilities	**–**	293
Others	**54**	95

As of December 31, 2014 and 2013, the taxable temporary differences representing the excess of the carrying amount of the investments in subsidiaries over the tax base amounted to $79.6 million and $62.7 million, respectively. There is no corresponding deferred income tax liability recognized since these temporary differences pertain to investment in domestic companies and, accordingly, the reversals of these temporary differences are through regular dividend distribution not subject to income tax.

Provision for current income tax in 2014 and 2013 amounting to $0.1 million and $0.6 million, respectively, represents MCIT.

The balance of NOLCO as of December 31, 2014 may be used by the Parent Company as additional deductions against the future taxable income. Similarly, the MCIT balance as of December 31, 2014 may be applied as credit against future income tax liability of the Parent Company.

The balances of NOLCO and MCIT, with their respective years of expiration, are as follows:

Incurred for the Year Ended December 31	Available until December 31	NOLCO		MCIT	
		(In U.S. Dollar)	*(In Philippine Peso)*	*(In U.S. Dollar)*	*(In Philippine Peso)*
2012	2015	$31,754	₱1,420,024	$306	₱13,683
2013	2016	7,338	328,144	620	27,717
2014	2017	52,920	2,366,587	65	2,916
		$92,012	₱4,114,755	$991	₱44,316

Movements in NOLCO are as follows:

	2014		2013	
	(In U.S. Dollar)	*(In Philippine Peso)*	*(In U.S. Dollar)*	*(In Philippine Peso)*
Balances at January 1	**$73,513**	**₱3,263,609**	$93,808	₱3,850,778
Additions	**52,920**	**2,366,587**	7,392	328,144
Expirations	**(34,135)**	**(1,515,441)**	(22,298)	(915,313)
Foreign exchange adjustments	**(286)**	**–**	(5,389)	–
	$92,012	**₱4,114,755**	$73,513	₱3,263,609

Movements in MCIT are as follows:

	2014		2013	
	(In U.S. Dollar)	*(In Philippine Peso)*	*(In U.S. Dollar)*	*(In Philippine Peso)*
Balances at January 1	**$993**	**₱44,082**	$726	₱29,823
Additions	**65**	**2,916**	624	27,717
Expirations	**(61)**	**(2,682)**	(328)	(13,458)
Foreign exchange adjustments	**(6)**	**–**	(29)	–
	$991	**₱44,316**	$993	₱44,082

The balance of NOLCO and MCIT incurred in 2011 amounting to $33.9 million (₱1,515.4 million) and $0.1 million (₱2.7 million), respectively, expired in 2014, while the balance of NOLCO and MCIT incurred in 2010 amounting to $22.3 million (₱915.3 million) and $0.3 million (₱13.5 million), respectively, expired in 2013. There was no application of NOLCO and MCIT for the years ended December 31, 2014 and 2013.

A reconciliation between the statutory income tax due and effective income tax due follows:

	2014	2013
Provision for income tax computed at the statutory tax rate of 30%	**$49,873**	$12,663
Adjustments resulting from:		
Permanent differences	**(67,234)**	(24,017)
Effect of using 2% MCIT	**17,138**	9,920
Movement of unrecognized DTA	**267**	529
Unrealized foreign exchange losses	**21**	1,539
Translation difference	**–**	9
Provision for income tax	**$65**	$643

18. Financial Risk Management Objectives and Policies

The Parent Company's principal financial liabilities are comprised of long-term debts, and advances from subsidiaries, among others. The main purpose of these financial liabilities is to raise financing for the Parent Company's growth and operations. The Parent Company has other financial assets and liabilities such as cash and cash equivalents, due from/to related parties and accounts payable and accrued expenses, which arise directly from its operations.

As a matter of policy, the Parent Company does not trade its financial instruments. However, the Parent Company enters into derivative and hedging transactions, primarily cross currency swap

and foreign currency forwards, as needed, for the sole purpose of managing the relevant financial risks that are associated with the Parent Company's borrowing activities.

The main financial risks arising from the Parent Company's financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk. The BOD reviews and approves policies for managing each of these risks as summarized below. The Parent Company's accounting policies in relation to derivative financial instruments are set out in Note 2 to the parent company financial statements.

Interest Rate Risk

The Parent Company's exposure to the risk of changes in market interest rate relates primarily to its advances from subsidiaries that are subject to floating interest rates.

The Parent Company 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 the Parent Company 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, the Parent Company may consider prepayment, refinancing or entering into derivative financial instruments, as deemed necessary and feasible.

As of December 31, 2014 and 2013, approximately 76.1% and 87.7%, respectively, of the Parent Company's borrowings are subject to fixed interest rate.

Interest Rate Risk Table

The following table sets out the nominal amounts, by maturity, of the Parent Company's financial instruments that are exposed to interest rate risk (amounts in millions):

	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:						
US$300M Notes	**6.50%**	**$–**	**$–**	**$–**	**$300.00**	**$300.00**
US$100M Notes Facility	**5.09%**	**4.00**	**49.50**	**42.50**	**–**	**96.00**
Advances from subsidiaries:						
FGP*	**2.50%**	**26.31**	**51.96**	**64.18**	**32.09**	**174.54**
Floating Rate						
Advances from FGPC*	**5.80%**	**12.69**	**30.25**	**35.62**	**29.08**	**107.64**

* *Excluding accrued interest*

	2013					
	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:						
US$300M Notes	6.50%	$–	$–	$–	$300.00	$300.00
US$100M Notes Facility	5.09%	2.50	9.75	86.25	–	98.50
Advances from subsidiaries:						
Goldsilk*	2.00%	–	–	258.45	–	258.45
FGP*	2.50%	27.51	45.84	58.07	64.18	195.60
Floating Rate						
Advances from FGPC*	5.80%	11.64	26.52	33.05	48.07	119.28

* *Excluding accrued interest*

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 the Parent Company that are not included in the foregoing tables are noninterest-bearing and are therefore not subject to cash flow interest rate risk.

Credit Risk

The credit risk of the Parent Company is limited to the risk arising from the inability of the related parties to make payments when due. With respect to credit risk arising from the other financial assets of the Parent Company, which include cash and cash equivalents and consultancy fee receivables, the Parent Company'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.

As of December 31, 2014 and 2013, the Parent Company's total financial assets amounted to $239.8 million and $356.8 million, respectively. These financial assets are neither past due nor impaired as at financial reporting dates.

Credit risk exposure

The table below shows the gross maximum exposure to credit risk of the Parent Company as of December 31, 2014 and 2013:

	2014	2013
Loans and receivables:		
Cash and cash equivalents	**$198,462**	$305,825
Due from related parties	**40,328**	50,036
Consultancy fee receivables (under "Other current assets" account)	**980**	987
	$239,770	$356,848

The Parent Company does not hold collateral for its financial assets as security.

Credit quality of neither past due nor impaired financial assets

The evaluation of the credit quality of the Parent Company'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 and related parties who pay on or before due date. Financial assets are classified as 'standard grade' if the counterparties settle their obligations to the Parent Company with tolerable delays.

As of December 31, 2014 and 2013, all of the Parent Company's financial assets are viewed by management as 'high grade' considering the collectability of the receivables and the credit history of the counterparties.

Concentration of Credit Risk

As of December 31, 2014 and 2013, the Parent Company has no significant concentration of credit risk.

Foreign Currency Risk

The Parent Company's exposure to foreign currency risk arises as its functional currency, the U.S. dollar, is not the local currency in its country of operations. Certain financial assets and liabilities as well as some expenses are denominated in Philippine peso. To manage the foreign currency risk, the Parent Company may consider entering into derivative transactions as necessary.

The following table sets out the Philippine peso-denominated financial assets and liabilities as of December 31, 2014 and 2013 that may affect the parent company financial statements (amounts in millions):

	2014		2013	
	Philippine peso-denominated Balances	**Equivalent U.S. Dollar Balances**	Philippine peso-denominated Balances	Equivalent U.S. Dollar Balances
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱620**	**$14**	₱1,388	$31
Consultancy fee receivables (under "Other current assets" account)	**44**	**1**	44	1
Due from related parties	**1,589**	**36**	2,033	46
Total financial assets	**2,253**	**51**	3,465	78
Financial Liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses	**130**	**3**	163	4
Dividends payable	**899**	**20**	897	20
Total financial liabilities	**1,029**	**23**	1,060	24
Net Financial Assets	**₱1,224**	**$28**	₱2,405	$54

In translating these Philippine peso-denominated monetary assets and liabilities into U.S. Dollar, the exchange rates used were ₱44.720 to $1.00 and ₱44.395 to $1.00, the Philippine peso-U.S. Dollar closing exchange rates for December 31, 2014 and 2013, respectively.

The following table sets out, for the years ended December 31, 2014 and 2013, the impact on the Parent Company's income (loss) before income tax of the range of reasonably possible movements in the U.S. Dollar and Philippine peso exchange rates with all other variables held constant, due to changes in the fair value of monetary assets and liabilities.

	2014		2013	
Change in exchange rate (in Philippine Peso against U.S. Dollar)	**4%**	**(4%)**	2%	(2%)
		(Amounts in Millions)		
Increase (decrease) in income (loss) before income tax	**1.0**	**(1.1)**	1.1	(1.1)

Any change in foreign currency exchange rate pertaining to financial assets and liabilities will have no impact on the Parent Company's equity, other than those already affecting the parent company statements of income.

Liquidity Risk

The Parent Company's exposure to liquidity risk refers to 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, the Parent Company maintains its internally generated funds and prudently manages the proceeds obtained from fund raising activities through the debt and equity markets. On a regular basis, the Parent Company's Treasury department monitors the available cash balances by preparing cash position reports. The Parent Company maintains a level of cash and cash equivalents deemed sufficient to finance the operations.

In addition, the Parent Company has short-term deposits and has available credit lines with certain banking institutions. As part of its liquidity risk management, the Parent Company 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 December 31, 2014 and 2013, 17.9% and 15.1%, respectively, of the Parent Company's financial liabilities will mature in less than one year based on the carrying value of borrowings reflected in the parent company financial statements.

The following tables below summarize the maturity profile of the Parent Company's financial assets used for liquidity management and financial liabilities as of December 31, 2014 and 2013 based on the contractual undiscounted payments:

	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	**$198,462**	**$–**	**$–**	**$–**	**$–**	**$198,462**
Financial liabilities:						
Accounts payable and accrued expenses*	**$700**	**$–**	**$–**	**$–**	**$–**	**$700**
Dividends payable	**–**	**20,056**	**–**	**–**	**–**	**20,056**
Due to related parties	**134,042**	**–**	**–**	**–**	**–**	**134,042**
Long-term debts	**–**	**4,471**	**24,203**	**180,314**	**379,138**	**588,126**
Advances from subsidiaries	**–**	**–**	**45,378**	**389,848**	**101,247**	**536,473**
	$134,742	**$24,527**	**$69,581**	**$570,162**	**$480,385**	**$1,279,397**

** Excluding local and other taxes and payable to government agencies.*

	2013					
	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	$305,825	$–	$–	$–	$–	$305,825
Financial liabilities:						
Accounts payable and accrued expenses*	$663	$–	$–	$–	$–	$663
Dividends payable	–	20,202	–	–	–	20,202
Due to related parties	109,090	–	–	–	–	109,090
Long-term debts	–	3,785	23,524	189,217	398,908	615,434
Advances from subsidiaries	–	–	50,687	408,152	63,377	522,216
	$109,753	$23,987	$74,211	$597,369	$462,285	$1,267,605

** Excluding local and other taxes and payable to government agencies.*

Capital Management

The primary objective of the Parent Company'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 covenants and maximize shareholder value.

The Parent Company 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, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new stocks (see Note 12).

No changes were made in the objectives, policies or processes for the years ended December 31, 2014 and 2013. The Parent Company was able to meet its capital management objectives as of December 31, 2014 and 2013.

As of December 31, 2014 and 2013, the Parent Company considers its total equity of $1,662.9 million and $1,560.8 million as its capital.

The Parent Company monitors capital using the debt to equity ratio, which is total liabilities divided by total equity. The Parent Company's practice is to keep the debt to equity ratio lower than 75:25.

	2014	2013
Accounts payable and accrued expenses	**$8,785**	$9,535
Dividends payable	**20,056**	20,202
Due to related parties	**134,042**	109,090
Long-term debts	**391,676**	393,514
Advances from subsidiaries	**484,164**	584,679
Net retirement benefits liability	–	293
Total liabilities	**1,038,723**	1,117,313
Total equity	**1,662,898**	1,560,751
Debt to equity ratio	**62:38**	71:29

The Parent Company is obligated to perform certain covenants with respect to maintaining specified debt-to-equity and minimum debt-service-coverage ratios, as set forth in the respective agreements with the creditors. As of December 31, 2014 and 2013, the Parent Company is in compliance with those covenants.

19. Financial Instruments

Set out in the following table is a comparison by category of the carrying values and fair values of the Parent Company's financial instruments as at December 31, 2014 and 2013 that are carried in the parent company financial statements:

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**$198,462**	**$198,462**	$305,825	$305,825
Due from related parties	**40,328**	**40,328**	50,036	50,036
Consultancy fee receivables (under "Other current assets" account)	**980**	**980**	987	987
	$239,770	**$239,770**	$356,848	$356,848

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses**	**$6,567**	**$6,567**	$6,481	$6,481
Dividends payable	**20,056**	**20,056**	20,202	20,202
Due to related parties	**134,042**	**134,042**	109,090	109,090
Long-term debts	**391,676**	**418,171**	393,514	403,938
Advances from subsidiaries*	**484,164**	**498,655**	584,679	571,430
	$1,036,505	**$1,077,491**	$1,113,966	$1,111,141

**Carrying value includes accrued interest as of December 31, 2014 and 2013.*
***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, due from related parties, consultancy fee receivables, accounts payable and accrued expenses, due to related parties and dividends payable approximate their carrying values as at financial reporting date, due to the short-term maturities of the transactions.

Long-term debts and advances from subsidiaries

The fair values of long-term debts and advances from subsidiaries, specifically FGP, were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted U.S. Dollar interest rates on December 31, 2014 ranging from 0.084% to 2.195%.

The fair values of long-term debts and advances from subsidiaries, specifically FGP and Goldsilk, were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted U.S. Dollar interest rates on December 31, 2013 ranging from 0.066% to 3.291%.

The fair values of advances from FGPC were determined by discounting future cash flows using the prevailing U.S. credit-adjusted LIBOR interest rates ranging from 0.252% to 1.659% and 0.2416% to 2.928% in 2014 and 2013, respectively.

20. Other Matters

a. Legal Proceedings

West Tower Condominium Corporation, et al. vs.
First Philippine Industrial Corporation, et al.
G.R. No. 194239, Supreme Court of the Philippines

On November 15, 2010, a Petition for the Issuance of a *Writ of Kalikasan* was filed before the SC by the West Tower Condominium Corporation, et al., against respondents First Philippine Industrial Corporation (FPIC), the Parent Company, their respective boards of directors and officers, and John Does and Richard Roes. The petition was filed in connection with the oil leak which is being attributed to a portion of FPIC's white oil pipeline located in Bangkal, Makati City. The oil leak was found in the basement of the West Tower Condominium.

The petition was brought by the West Tower Condominium Corporation purportedly on behalf of its unit owners and in representation of the inhabitants of Barangay Bangkal, Makati City. The petitioners sought the issuance of a *Writ of Kalikasan* to protect the constitutional rights of the Filipino people to a balanced and healthful ecology, and prayed that the respondents

permanently cease and desist from committing acts of negligence in the performance of their functions as a common carrier; continue to check the structural integrity of the entire 117-km white oil pipeline and replace the same; make periodic reports on findings with regard to the said pipeline and their replacement of the same; be prohibited from opening the white oil pipeline and allowing its use until the same has been thoroughly checked and replaced; rehabilitate and restore the environment, especially Barangay Bangkal and West Tower Condominium, at least to what it was before the signs of the leak became manifest; open a special trust fund to answer for similar contingencies in the future; and be temporarily restrained from operating the said pipeline until final resolution of the case.

On November 19, 2010, the SC issued a *Writ of Kalikasan* with Temporary Environmental Protection Order (TEPO) directing the respondents to: (i) make a verified return of the Writ within a non-extendible period of ten days from receipt thereof; (ii) cease and desist from operating the pipeline until further orders from the court; (iii) check the structural integrity of the whole span of the pipeline, and in the process apply and implement sufficient measures to prevent and avert any untoward incident that may result from any leak in the pipeline; and (iv) make a report thereon within 60 days from receipt thereof.

The Parent Company and its impleaded directors and officers filed a verified Return in November 2010, and a Compliance in January 2011, explaining that the Parent Company is not the owner and operator of the pipeline, and is not involved in the management, day-to-day operations, maintenance and repair of the pipeline. For this reason, neither the Parent Company nor any of its directors and officers has the capability, control, power or responsibility to do anything in connection with the pipeline, including to cease and desist from operating the same. In January 2011, the SC noted and accepted the Return and Compliance filed by the Parent Company.

In January 2011, FPIC asked the SC to temporarily lift the Writ for the conduct of a pressure-controlled leak test for the entire 117-kilometer white oil pipeline, as recommended by the international technical consultant of the Department of Energy (DOE). On November 22, 2011, the SC issued a Resolution ordering the temporary lifting of the TEPO for a period of 48 hours. The DOE and its international technical consultant, SGS Philippines, Inc., supervised the leak test activities which were witnessed by representatives from the University of the Philippines National Institute of Geological Sciences, UP Institute of Civil Engineering, and the parties.

For the purpose of expediting the proceedings and the resolution of all pending incidents, the SC reiterated its order to remand the case to the Court of Appeals to conduct subsequent hearings within a period of 60 days, and after trial, to render a report to be submitted to the SC. The SC also clarified that the black oil pipeline is not included in the Writ with TEPO.

On December 21, 2012, the former 11th Division of the Court of Appeals rendered its Report and Recommendation in which the following recommendations were made to the SC: (i) that certain persons/organizations be allowed to be formally impleaded as petitioners subject to the submission of the appropriate amended petition; (ii) that FPIC be ordered to submit a certification from the DOE that the white oil pipeline is safe for commercial operation; (iii) that the petitioners' prayer for the creation of a special trust fund to answer for similar contingencies in the future be denied for lack of sufficient basis; (iv) that respondent Parent Company not be held solidarily liable under the TEPO; and (v) that without prejudice to the outcome of the civil and criminal cases filed against respondents, the individual directors and officers of FPIC and Parent Company not be held liable in their individual capacities.

Petitioners filed a Motion for Partial Reconsideration in January 2013, in which they prayed, among others, that the Department of Science and Technology (DOST), specifically its Metal Industry Research and Development Center, be tasked to chair the monitoring of FPIC's compliance with the directives of the court and issue the certification required to prove that the pipeline is safe to operate before commercial operation is resumed; that stakeholders be consulted before a certification is issued; that a trust fund be created to answer for future contingencies; and that Parent Company and the directors and officers of Parent Company and FPIC also be held liable under the Writ of Kalikasan and the TEPO.

In a Compliance dated January 25, 2013, FPIC submitted to the SC a Certification signed by DOE Secretary Carlos Jericho L. Petilla stating that the black oil pipeline is safe for commercial operation.

In a Resolution dated July 30, 2013, the SC adopted the CA's recommendation that FPIC secure a DOE certification stating that the pipeline is already safe for commercial operation before the white oil pipeline may resume its operations.

FPIC filed an application for DOE's issuance of the required certification, and on October 25, 2013 the DOE issued a certification that the white oil pipeline is safe to return to commercial operations. FPIC submitted the DOE certification to the SC on October 29, 2013. As of March 12, 2015, the final resolution of the Writ remains pending with the SC.

West Tower Condominium Corporation, et al. vs.
First Philippine Industrial Corporation, et al.
Civil Case No. 11-256, Regional Trial Court, Makati Branch 58

On March 24, 2011, a civil case for damages was filed by the West Tower Condominium Corporation and some residents of the West Tower Condominium against FPIC, the FPIC directors and officers, the Parent Company, Pilipinas Shell Petroleum Corporation, and Chevron Philippines, Inc. before the Makati City RTC. In their complaint, the Plaintiffs alleged that FPIC, its directors and officers, and the Parent Company violated Republic Act No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), RA 8749 (Philippine Clean Air Act of 1999) and Its Implementing Rules and Regulations, and RA 9275 (Philippine Clean Water Act of 2004). The complaint sought payment by the Defendants of actual damages comprising incurred rentals for alternative dwellings, incurred additional transportation and gasoline expenses and deprived rental income; recompense for diminished or lost property values to enable the buying of new homes; incurred expenses in dealing with the emergency; moral damages; exemplary damages; a medical fund; and attorney's fees.

The Parent Company filed its Answer in May 2011, in which it was argued that the case is not an environmental case under the Rules of Procedure for Environmental Cases, but an ordinary civil case for damages under the Rules of Court for which the appropriate filing fees should be paid before the court can acquire jurisdiction thereof. In an Order dated August 22, 2011, Makati City RTC (Branch 158) Judge Eugene Paras ruled that the complaint is an ordinary civil action for damages and that the Plaintiff should pay the appropriate filing fees in accordance with the Rules of Court within 10 days from receipt of the Order. The other individual plaintiffs were ordered dropped as parties in the case. The Plaintiffs filed a Motion to Inhibit Judge Paras as well as a Motion for Reconsideration of the Order. In an Order dated October 17, 2011, the court reiterated that it has no jurisdiction over the case and ordered the referral of the case to the Executive Judge for re-raffle.



In an Order dated December 1, 2011, Judge Elpidio Calis of the Makati City RTC (Branch 133) declared that the records of the case have been transferred to his court. In an Order dated March 29, 2012, Judge Calis denied the plaintiffs' Motion for Reconsideration for lack of merit, and ordered the plaintiffs to pay the appropriate filing fees within ten (10) days from receipt of the Order, with a warning that non-compliance will constrain the court to dismiss the case for lack of jurisdiction. Instead of paying the filing fees, the plaintiffs filed a Petition for Certiorari with the CA to nullify the order of Branch 133.

In a resolution dated June 30, 2014, the CA denied the petition of West Tower and affirmed the trial court's recognition of the case as being an ordinary action for damages. The CA, however, also ruled that the individual residents who joined West Tower in the civil case need not file separate cases, but instead can be joined as parties in the present case. West Tower and FPIC each filed a motion for partial reconsideration, with West Tower arguing that the case is an ordinary action for damages, and FPIC assailing the ruling that the individual residents can be joined as parties in the present case. Both motions were denied in a CA resolution dated December 11, 2014. On February 20, 2015, FPIC filed before the SC a Petition for Review of the CA's denial of its Motion for Partial Reconsideration. As of March 12, 2015, the case remains pending.

West Tower Condominium Corporation vs. Leonides Garde, et al.
NPS No. XV-05-INQ-11J- 02709
Office of The City Prosecutor
Makati City

This is a criminal complaint for negligence under Article 365 of the Revised Penal Code against FPIC directors and some of its officers, as well as directors of the Parent Company, Pilipinas Shell Petroleum Corporation and Chevron Philippines, Inc.

On December 14, 2011, a Counter-Affidavit with Verified Manifestation was filed by Francis Giles B. Puno, Director, President and Chief Operating Officer of the Parent Company and one of the Respondents. The other Respondent-Directors of the Parent Company verified the Verified Manifestation and adopted the factual allegations and defenses in the Counter-Affidavit of Respondent Puno.

Makati City Prosecutor Feliciano Aspi *motu proprio* (on his own) inhibited himself from the case on the ground that he had previously worked for the counsel of the Parent Company. Complainant then filed with the Department of Justice (DOJ) a petition for change of venue, which petition was granted by way of Department Order No. 63 dated January 18, 2012, which designated Manila Senior Assistant City Prosecutor Raymunda Apolo as special investigating prosecutor for the case.

In an Order dated February 3, 2012, Makati City Prosecutor Aspi ordered the consolidation of the case with another case entitled Anthony M. Mabasa et al. vs. Roberto B. Dimayuga et al. for violation of Article 183 of the Revised Penal Code. The Order stated that the consolidation is being made upon the recommendation of Makati City Assistant Prosecutor Ma. Agnes Alibanto.

On February 17, 2012, Respondent-Directors of the Parent Company filed a Motion for Reconsideration of the Order dated January 18, 2012 which granted Complainant's petition for a change of venue. As of March 12, 2015, the case remains pending.



21. **Supplementary Information Required Under Revenue Regulations No. 15-2010**

The Parent Company reported and paid the following types of taxes as of and for the year ended December 31, 2014:

VAT

The Parent Company's sales are subject to output VAT. The applicable VAT rate is 12.0%.

a. Net Sales/Receipts and Output VAT declared in the Parent Company's VAT returns

	Net Sales/ Receipts	Output VAT
	(Amounts in Philippine Peso)	
Taxable Sales:		
Sale of services	₱180,705,882	₱21,684,706
Others	2,795,587	335,470
	₱183,501,469	₱22,020,176

Sale of services pertains to gross receipts/collections on revenues from management services to affiliates (i.e., lodged under the account "Management fee" in the parent company statement of income).

The Parent Company has no VAT exempt and/or VAT zero-rated sales/receipts for the year 2014.

b. Input VAT credits claimed in the Parent Company's VAT returns

	Amounts in Philippine Peso
Balance at beginning of year	₱812,413
Current year's domestic purchases/payments for:	
Services lodged under other accounts	14,599,593
Capital goods subject to amortization	911,931
Capital goods not subject to amortization	145,404
Goods other than resale or manufacture	55,564
Total input VAT available applied against output VAT	16,524,905
Add: Payments during the year	6,683,536
Total	23,208,441
Less: Total input VAT (including amount of payments during the year) claimed against output VAT	22,020,176
Excess input VAT to be carried over to the following period	₱1,188,265

Documentary Stamp Tax (DST)

The DST paid/ accrued for the year on the following transactions:

Transactions	DST
Advances to (from) related parties	₱8,304,497
Issuance of shares of stocks	89,018
Others	4,100
	₱8,397,615

Taxes and License Fees

Taxes and license fees include, DST business taxes and permits, real property taxes, and fringe benefit taxes recorded in the "Taxes and licenses" account under the parent company statement of income for the year ended December 31, 2014:

	Amounts in Philippine Peso
Taxes and licenses lodged under operating expenses:	
Fringe benefit tax	₱13,735,557
Documentary stamp tax	8,397,615
PSE fees	2,008,000
Business taxes and permits	1,243,792
SEC fees	35,980
Real property tax	22,309
Others	508,050
	₱25,951,303

Taxes and licenses paid or incurred by the Parent Company formed part of the operating expenses.

Withholding Taxes

The details of the Parent Company's withholding taxes paid or accrued are as follows:

	Amounts in Philippine Peso
Withholding taxes on compensation	₱96,359,549
Expanded withholding taxes	151,501,415
Final withholding taxes	271,384,222
Fringe benefit tax	13,733,557
	₱532,978,743

Others

The Parent Company has no locally produced or imported excisable item, landed cost of imports, custom duties and tariff fees paid or accrued as of December 31, 2014.

The Parent Company has no tax cases or litigation and/or prosecution in courts or bodies outside the BIR as of and during the year ended December 31, 2014.

22. Events after Balance Sheet Date

On January 20, 2015, the Parent Company authorized the issuance and sale of an aggregate of 297,029,800 common stocks to be taken from its unissued capital stock and treasury stock at an identical issue price of ₱25.25 per share (the "Offer Price"). The price represents a 2.9 % discount to the last traded price of ₱26.00 per share. The placement was conducted via an accelerated bookbuilding process.

On March 12, 2015, the BOD of the Parent Company approved the following amendments/matters to Article Seventh of the Parent Company's Amended Articles of Incorporation:

- to create 160 million Series "H" preferred stocks with a par value of ₱10 a share with the following features: issue value and dividend rate to be determined by the BOD at the time of issuance, entitled to cumulative dividends, non-voting, non-participating, redeemable at the option of the Parent Company and in the event of liquidation, dissolution, distribution of assets or winding-up of the Parent Company shall be entitled to be paid at their issue value plus any accrued and unpaid dividends thereon;

- to increase the authorized capital stock from ₱8,600.0 million to ₱10,200.0 million; and,

- to file the corresponding amendments to Article Seventh of the Parent Company's Amended Articles of Incorporation to reflect the above items.



EXHIBIT “C”

SRC Rule 68, as Amended (2011)

{Schedules}

FIRST GEN CORPORATION AND SUBSIDIARIES

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December 31, 2014

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**These schedules, which are required by SRC Rule 68.1, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or in the related notes thereto.*

Receivables from certain officers and employees were made in the ordinary course of business.

The Company is not a financial guarantor of obligations of any unconsolidated entity.

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
First Gen Corporation
3rd Floor, Benpres Building
Exchange Road corner Meralco Avenue
Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of First Gen Corporation and Subsidiaries as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A and have issued our report thereon dated March 12, 2015. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ladislao Z. Avila, Jr.
Partner
CPA Certificate No. 69099
SEC Accreditation No. 0111-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 109-247-891
BIR Accreditation No. 08-001998-43-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751254, January 5, 2015, Makati City

March 12, 2015

FIRST GEN CORPORATION AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2014
(Amounts in U.S. Dollars and in Thousands)

Financial Assets	Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Loans and Receivables					
Cash and cash equivalents	N/A	N/A	$ 673,893	N/A	$ 5,899
Trade receivables - net of allowance for doubtful accounts	N/A	N/A	369,876	N/A	-
Due from related parties	N/A	N/A	2,521	N/A	-
Other receivables	N/A	N/A	14,588	N/A	-
Long-term receivables - net of allowance for doubtful accounts	N/A	N/A	763	N/A	-
Special deposits and funds	N/A	N/A	2,446	N/A	-
Other current assets	N/A	N/A	322	N/A	-
Available for Sale (AFS) financial assets					
Quoted equity securities	Various	Various	591	591	-
Quoted government debt securities	Various	Various	5,074	5,074	-
Corporate bonds	Various	Various	737	737	-
Investments in proprietary club membership shares	N/A	N/A	1,014	N/A	-
Financial Assets at fair value through profit or loss (FVPL)	Security Bank	N/A	11,708	11,708	-
			$ 1,083,533		$ 5,899

FIRST GEN CORPORATION AND SUBSIDIARIES

Schedule C. Amounts Receivable from Related Parties which are Eliminated during Consolidation of Financial Statements

December 31, 2014

(Amounts in U.S. Dollars and in Thousands)

Receivable to Name of Subsidiary/ Counterparty	Beginning Balance	Additions	Collections	Reclassifications/ Revaluations	Amounts Written Off	Ending Balance		Amount Eliminated
						Current	Non-Current	
Subsidiaries								
FGEN LNG Corporation	$11,608	$670	($11,525)	($121)	$-	$632	$-	$632
First Gen Energy Solutions Holdings, Inc.	-	3,151	-	6	-	3,157	-	3,157
First Gas Holdings Corporation	9,554	-	-	-	-	9,554	-	9,554
Prime Meridian Power Gen Corp.	8,925	-	(8,833)	(92)	-	-	-	-
Northern Terracotta Power Corp	3,191	3,976	-	(3)	-	7,164	-	7,164
First Gen Mindanao Hydro Power Corporation	1,701	945	(69)	(18)	-	2,559	-	2,559
First Gen Luzon Power Corp.	864	381	(370)	(17)	-	858	-	858
First Gen Prime Energy Corporation	664	500	(18)	(27)	-	1,119	-	1,119
First Gen Renewables, Inc.	335	-	-	(335)	-	-	-	-
AlliedGen Power Corporation	324	-	-	(2)	-	322	-	322
Blue Vulcan Holdings Corp.	289	-	-	(289)	-	-	-	-
First Gen Visayas Hydro Power Corporation	186	7	-	(1)	-	192	-	192
Goldsilk Holdings Corporation	-	220	-	(3)	-	217	-	217
First Gen Premier Energy Corp.	119	92	-	(5)	-	206	-	206
First NatGas Power Corp.	100	-	(1)	(1)	-	98	-	98
First Gas Power Corporation	97	1	(1)	(1)	-	96	-	96
FGen Cabadbaran Hydro Corporation	58	23	-	-	-	81	-	81
FGen Puyo Hydro Corporation	57	12	-	-	-	69	-	69
FG Bukidnon Power Corp.	54	-	-	(1)	-	53	-	53
FGen Bubunawan Hydro Corporation	50	59		(1)	-	108	-	108
FGEN LNG Holdings Corporation	-	68	-	-	-	68	-	68
FGen Northern Mindanao Holdings, Inc.	22	-	-	-	-	22	-	22
First Gen Energy Solutions Inc.	18	-	(18)	-	-	-	-	-
First Gen Visayas Energy Inc.	10	5	(2)	(1)	-	12	-	12
FGEN Power Ventures Inc.	-	287	-	(5)	-	282	-	282
First Gen Ecopower Solutions, Inc.	6	254	(56)	(4)	-	200	-	200
FG Mindanao Renewables Corp.	5	-	-	-	-	5	-	5
FGen Tumalaong Hydro Corporation	5	1	-	-	-	6	-	6
FGen Tagoloan Hydro Corporation	4	2	-	-	-	6	-	6
Bluespark Management Limited - Representative Office	-	1	-	-	-	1	-	1
First Gen Meridian Holdings Inc.	-	1	-	-	-	1	-	1
FGen Northern Power Corp	-	1	-	-	-	1	-	1
FGen Casecnan Hydro Power Corp	-	1	-	-	-	1	-	1
Red Vulcan Holdings Corporation	9,427	919	-	21	-	10,367	-	10,367
Prime Terracota Holdings Corporation	583	896	(361)	-	-	1,118	-	1,118
	$48,256	$12,473	($21,254)	($900)	$-	$38,575	$-	$38,575

FIRST GEN CORPORATION AND SUBSIDIARIES
Schedule D. Intangible Assets - Other Assets
December 31, 2014
(Amounts in U.S. Dollars and in Thousands)

Description	Beginning Balance	Additions At Cost	Deductions		Other Changes-Additions (Deductions)*	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts		
A) Goodwill and Intangible assets						
Goodwill	$1,084,707	$2,624	$-	$-	($7,838)	$1,079,493
Concession rights for contracts acquired - net of amortization	93,655	-	(13,223)		(572)	79,860
Water rights - net of amortization	38,730	-	(2,169)	-	(264)	36,297
Pipeline rights - net of amortization	6,477	-	(602)	-	-	5,875
Other intangible assets - net of amortization	3,266	1,952	(404)	1,221	(46)	5,989
	$1,226,835	$4,576	($16,398)	$1,221	($8,720)	$1,207,514
B) Other Assets						
Input value added tax - net of allowance for impairment	$85,362	$-	($1,204)	$13,601	($2,897)	$94,862
Exploration and evaluation assets	53,627	9,486	-	-	(468)	62,645
Tax credit certificates	35,153	19,104	-	-	-	54,257
Prepaid major spare parts	16,693	26,424	-	-	-	43,117
Deferred debt issuance costs	-	17,171	-	-	-	17,171
AFS financial assets	7,830	-	-	(414)	-	7,416
Derivative assets	4,166		-	347	-	4,513
Special deposits and funds	4,009	-	-	(1,563)	-	2,446
Prepaid expenses	3,500	4,868	-	-	-	8,368
Long-term receivables - net of allowance for doubtful accounts	316	574	(140)	-	13	763
Retirement assets	-	9,743	(2,525)	(2,908)	-	4,310
Others	6,419	2,417	-	(33)	-	8,803
	$217,075	$89,787	($3,869)	$9,030	($3,352)	$308,671

** Pertains to foreign exchange translations of Intangible and Other assets of First Gen subsidiaries using the Philippine Peso as its functional currency to U.S. dollar.*

FIRST GEN CORPORATION AND SUBSIDIARIES
Schedule E. Long-term Debt
December 31, 2014
(Amounts in U.S. Dollars and in Thousands)

Name of Issuer and Type of Obligation	Total Loans - net	Amount Shown as Current - net	Amount Shown as Long-term - net	Remarks
Parent Company				
$300M Senior Unsecured Notes	$296,773	$-	$296,773	
$100M Notes Facility	94,903	3,595	91,308	
FGP Corp. Term Loan Facility	380,497	25,373	355,124	
First Gas Power Corporation				
Covered Facility with nine foreign banks	236,030	16,001	220,029	
Uncovered Facility with nine foreign banks	85,278	23,726	61,552	
Energy Development Corporation				
EDC $300M Notes	297,545	-	297,545	
Peso Public Bonds	267,690	189,811	77,879	
International Finance Corporation Loan	124,921	12,962	111,959	
Peso Fixed Rate Note Facility	150,909	1,369	149,540	
Refinanced Syndicated Term Loan	121,504	17,053	104,451	
Peso Fixed Rate Bonds	154,150	-	154,150	
$80M Term Loan	75,372	-	75,372	
Burgos Wind Power Corporation				
$35.5M Commercial Debt Facility	34,432	652	33,780	
$139.0M ECA Debt Facility	133,130	2,242	130,888	
₱5.17B Commercial Debt Facility	113,787	2,145	111,642	
Red Vulcan Staple Financing	112,925	28,787	84,138	
FG Hydro PNB Loan	79,830	8,553	71,277	
FNPC KFW Facility	85,362	-	85,362	
	$2,845,038	$332,269	$2,512,769	

Note: Balances shown are already net of the unamortized portion of debt issuance costs as of December 31, 2014 in compliance with PAS 32, "Financial Instruments: Presentation." Please refer to Note 15 of the consolidated financial statements for additional information.

FIRST GEN CORPORATION AND SUBSIDIARIES
Schedule H. Capital Stock
December 31, 2014

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Redeemable preferred stock Series "B"	1,000,000,000	1,000,000,000	-	1,000,000,000	-	-
Redeemable preferred stock Series "E"	1,500,000,000	468,553,892	-	468,553,892	-	-
Redeemable preferred stock Series "F"	100,000,000	100,000,000	-	52,434,000		47,566,000
Redeemable preferred stock Series "G"	135,000,000	133,750,000	-	50,296,450	105,000	83,348,550
Common stock *	5,000,000,000	3,312,789,057	-	2,177,114,459	41,900,232	1,093,774,366

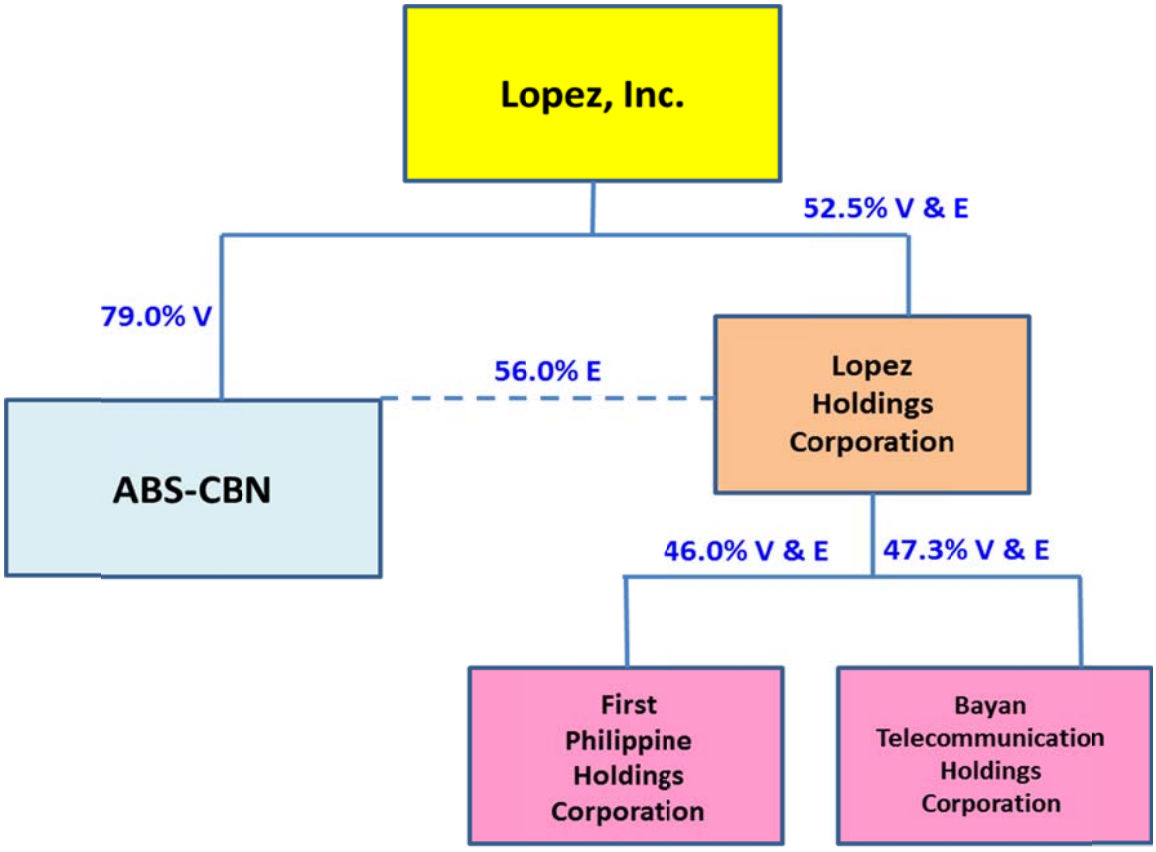
Note: Please refer to Note 17 to the consolidated financial statements for additional information regarding the movements in Capital stock.

** Total number of common stocks issued and outstanding is net of common stocks held in treasury totalling to 330,531,400 as of December 31, 2014.*

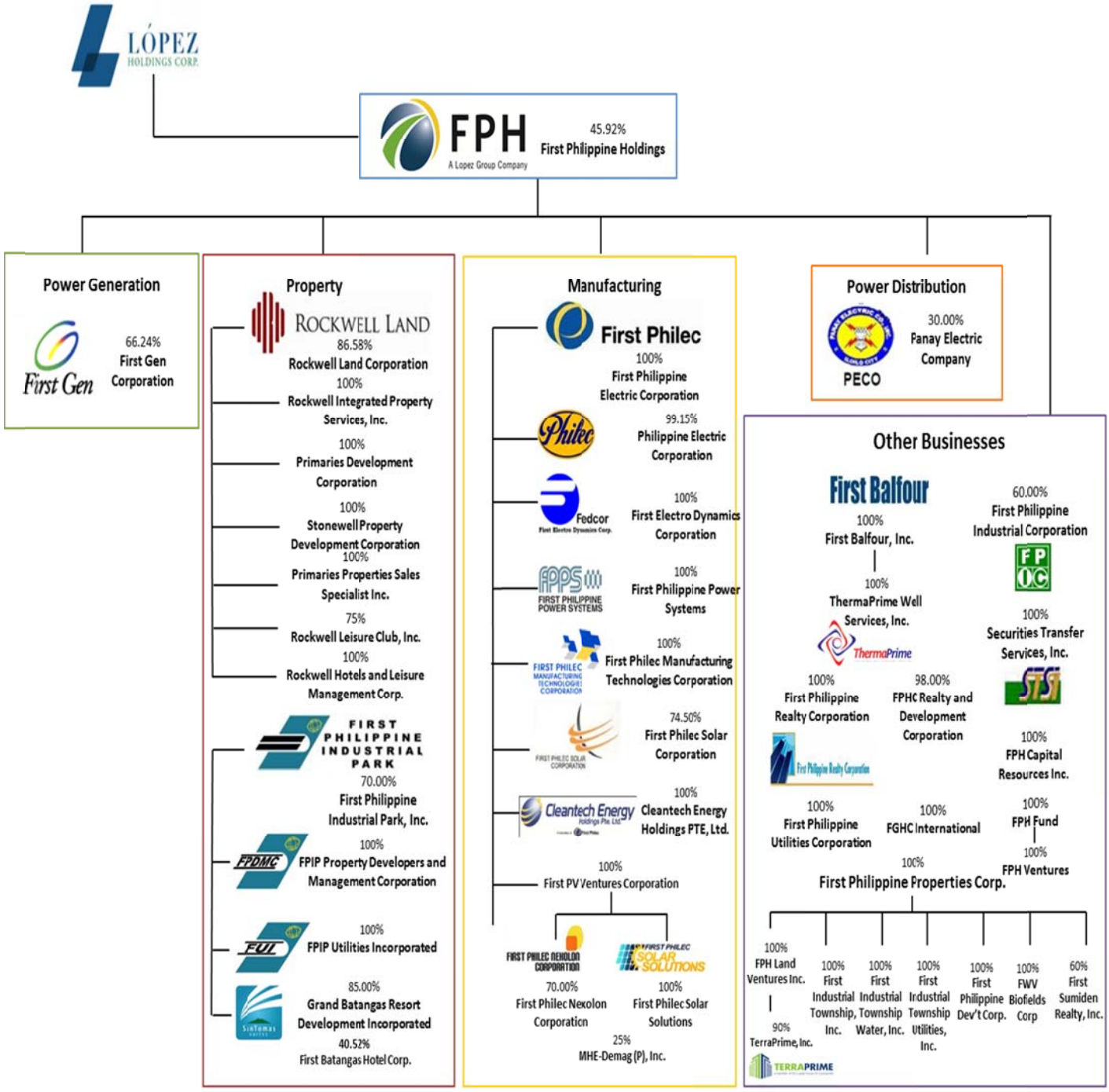
FIRST GEN CORPORATION

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2014
(Amounts in U.S. Dollars and in Thousands)

Unappropriated retained earnings, beginning		$417,383
Add (less) adjustments:		
Non-actual/ unrealized income (net of tax) from previous periods	($43,772)	
Treasury shares	(80,557)	(124,329)
Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning		293,054
Net income during the period closed to retained earnings	166,180	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–	
Unrealized actuarial gain	2,538	
Fair value adjustment (mark-to-market gains)	–	
Fair value adjustment of investment property resulting to gain	–	
Deferred tax asset that reduced the amount of income tax expense	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Subtotal	(2,538)	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Subtotal	–	
Net income actual/realized during the year		163,642
Add (less):		
Dividends declaration during the period	(66,571)	
Appropriations of retained earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
		(66,571)
TOTAL RETAINED EARNINGS, AS ADJUSTED TO AVAILABLE FOR DIVIDEND DECLARATION, END		**$390,125**



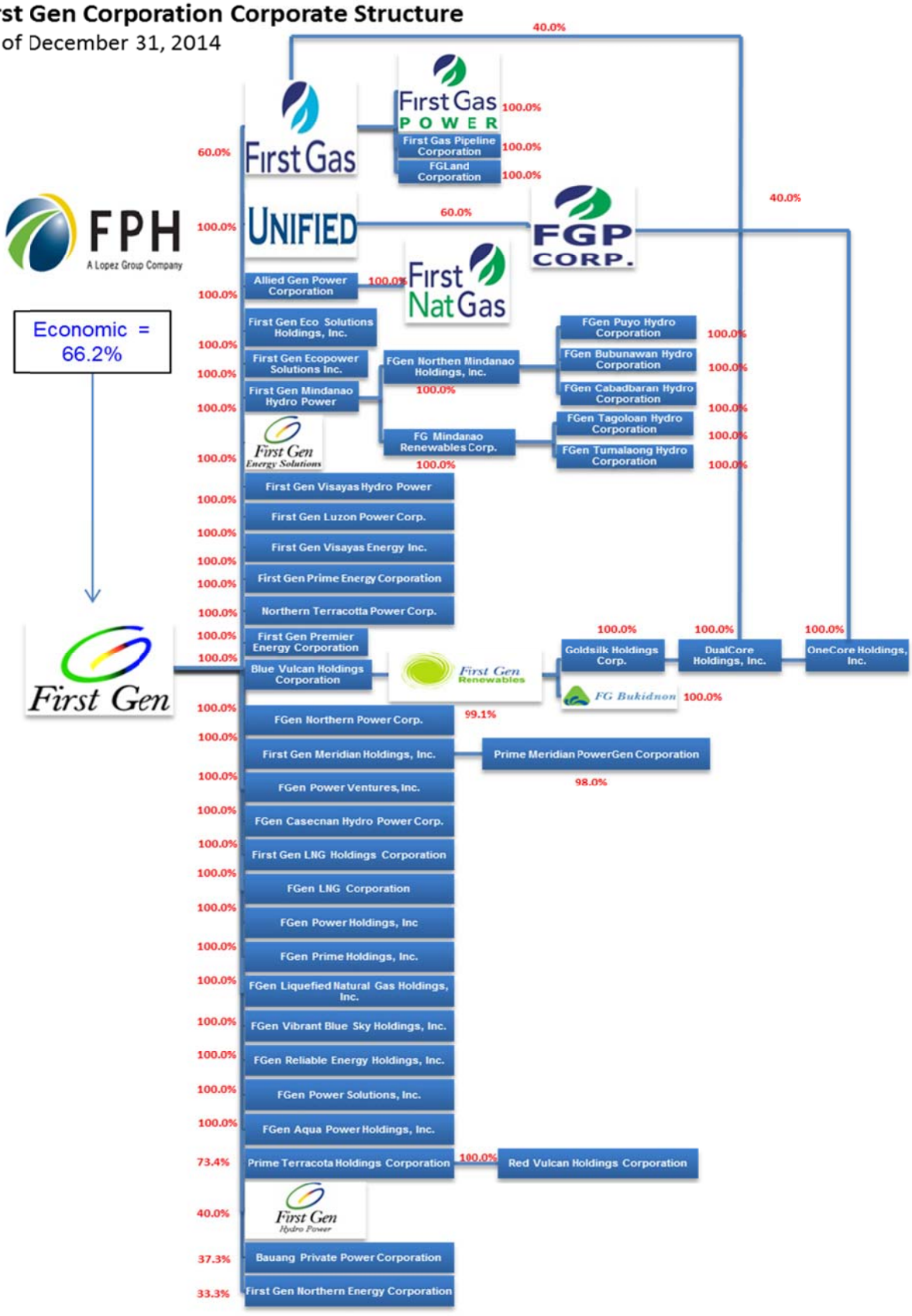
Legend:
E = Economic
V = Voting

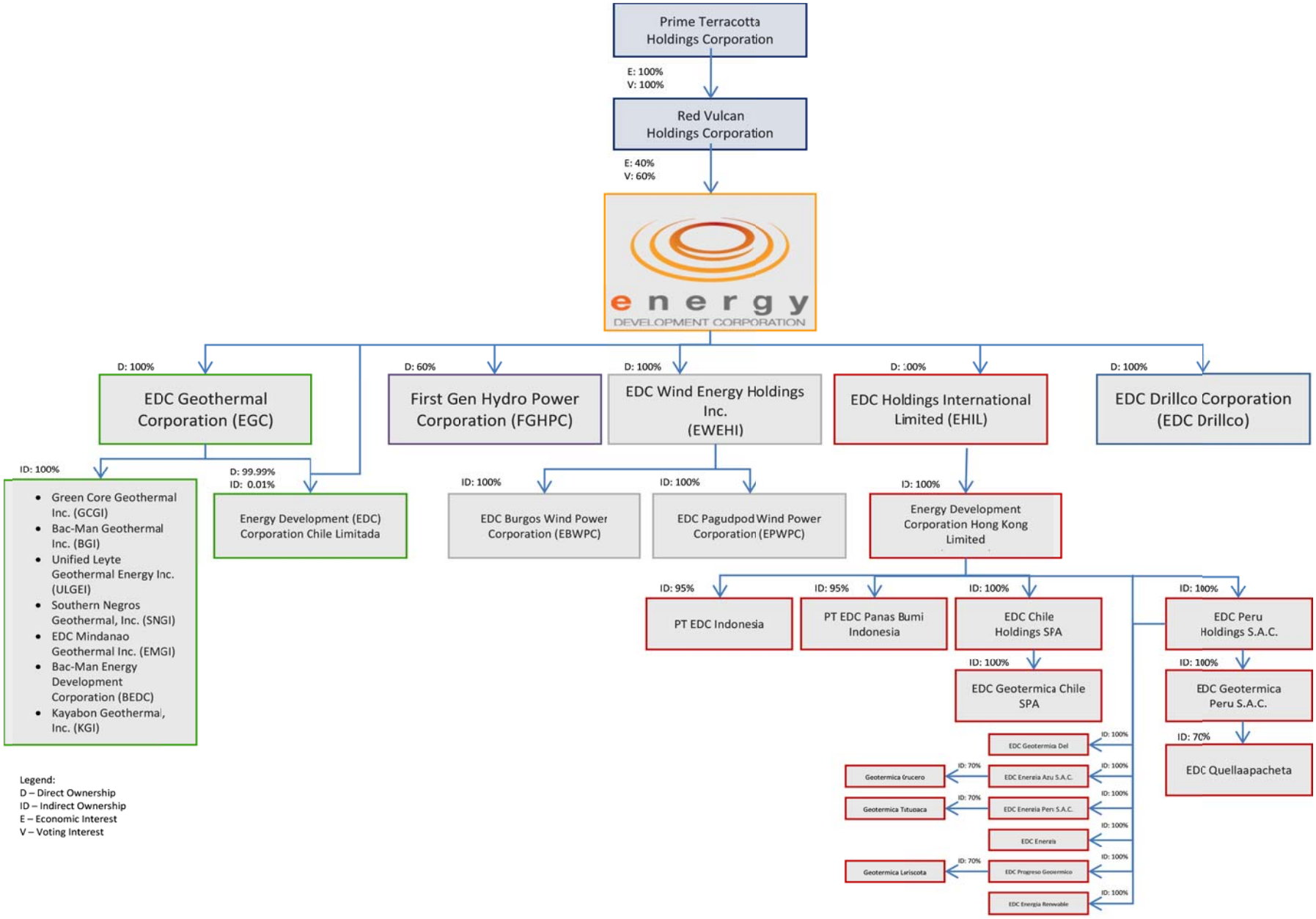


FPH's Corporate Structure as of December 31, 2014.

First Gen Corporation Corporate Structure

As of December 31, 2014




Prime Terracotta Holdings Corporation
E: 100%
V: 100%
Red Vulcan Holdings Corporation
E: 40%
V: 60%
energy
DEVELOPMENT CORPORATION
D: 100%
EDC Geothermal Corporation (EGC)
D: 60%
First Gen Hydro Power Corporation (FGHPC)
D: 100%
EDC Wind Energy Holdings Inc. (EWEHI)
D: 100%
EDC Holdings International Limited (EHIL)
D: 100%
EDC Drillco Corporation (EDC Drillco)
ID: 100%
Green Core Geothermal Inc. (GCGI)
Bac-Man Geothermal Inc. (BGI)
Unified Leyte Geothermal Energy Inc. (ULGEI)
Southern Negros Geothermal, Inc. (SNGI)
EDC Mindanao Geothermal Inc. (EMGI)
Bac-Man Energy Development Corporation (BEDC)
Kayabon Geothermal, Inc. (KGI)
D: 99.99%
ID: 0.01%
Energy Development (EDC) Corporation Chile Limitada
ID: 100%
EDC Burgos Wind Power Corporation (EBWPC)
ID: 100%
EDC Pagudpod Wind Power Corporation (EPWPC)
ID: 100%
Energy Development Corporation Hong Kong Limited
ID: 95%
PT EDC Indonesia
ID: 95%
PT EDC Panas Bumi Indonesia
ID: 100%
EDC Chile Holdings SPA
ID: 100%
EDC Geotermica Chile SPA
ID: 100%
EDC Peru Holdings S.A.C.
ID: 100%
EDC Geotermica Peru S.A.C.
ID: 70%
EDC Quellaapacheta
EDC Geotermica Del
EDC Energia Azu S.A.C.
Geotermica Crucero
EDC Energia Peru S.A.C.
Geotermica Tutupaca
EDC Energia
EDC Progreso Geotermico
Geotermica Luriscota
EDC Energia Renovable
Legend:
D – Direct Ownership
ID – Indirect Ownership
E – Economic Interest
V – Voting Interest

FIRST GEN CORPORATION AND SUBSIDIAIRES
SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 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			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
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	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 7	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	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not early adopted		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments *	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception*	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception*	Not early adopted		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts*	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	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income			✓
	Amendments to PAS 1: Disclosure Initiatives*	Not early adopted		
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	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not early adopted		
	Amendments to PAS 16 and PAS 41: Bearer Plants*			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	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 to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not early adopted		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception*	Not early adopted		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		
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	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and 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	✓		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 39	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
	Amendments to PAS 39: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not early adopted		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants*			✓
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*	✓		
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	PAS 19–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*			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
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			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
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			✓

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

EXHIBIT “D”

Audit Committee Report for the Year 2014

First Gen

REPORT OF THE AUDIT COMMITTEE
OF
FIRST GEN CORPORATION

(For the year ended December 31, 2014)

The Audit Committee's roles and responsibilities are defined in First Gen Corporation's (First Gen) Manual on Corporate Governance and Audit Committee Charter. The Audit Committee assists the Board of Directors of the company in fulfilling its oversight responsibility relating to the following matters: (a) financial statements; (b) financial reporting processes and internal control systems; and (c) audit plan, scope and performance of independent auditors.

In this regard, the Audit Committee of First Gen confirms that:

1. The Chairman of the Audit Committee is an Independent Director.
2. The Audit Committee conducted three (3) meetings in 2014.
3. The Audit Committee reviewed and discussed, together with management, the interim quarterly reports and financial statements; and with management and the company's independent auditors SyCip Gorres Velayo & Co., the year-end audited consolidated financial statements. These activities were performed in the context of:
    - Management being primarily responsible for the financial statements and financial reporting process; and
    - SyCip Gorres Velayo & Co. being responsible for expressing an opinion on the conformity of First Gen's consolidated financial statements with Philippine Financial Reporting Standards.

4. The Audit Committee discussed and approved the overall scope of the engagement of SyCip Gorres Velayo & Co., and the Internal Audit Group's annual plan.

5. For the year ended December 31, 2014, SyCip Gorres Velayo & Co. was engaged to perform the following non-audit related services:
    - Due diligence for various financing activities;
    - Issuance of agreed-upon procedures (AUP) report for the increase in authorized capital stock of various subsidiaries;
    - Issuance of AUP for the conversion of advances/deposits for future stock subscriptions into equity;
    - Conduct of transfer pricing studies; and
    - Conduct of various seminars.

6. The Audit Committee discussed the report on regulatory compliance and found the requirements to have been complied with.

Based on the reviews and discussions undertaken and subject to the limitations on the Audit Committee's roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors of First Gen that the audited consolidated financial statements for the years ended December 31, 2014 and 2013 be included in the Annual Report for the year ended December 31, 2014, which report will be filed with the Philippine Stock Exchange, Inc. (PSE) and the Securities and Exchange Commission (SEC).

The Audit Committee further recommends to the Board of Directors of First Gen the re-appointment of SyCip Gorres Velayo & Co. as the company's independent auditors for 2015 – 2016. This recommendation is made based on the review of the performance and qualifications of SyCip Gorres Velayo & Co.

March 12, 2015.

JAIME I. AYALA
Chairman

TONY TAN CAKTIONG
Member

PETER D. GARRUCHO JR.
Member

ELPIDIO L. IBAÑEZ
Member

EXHIBIT “E”

Annual Corporate Governance Report for the Year 2014

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year 2014

2. Exact Name of Registrant as Specified in its Charter .....FIRST GEN CORPORATION

3. 3rd Floor Benpres Building, Exchange Road cor. Meralco Ave. Pasig City 1600
   Address of Principal Office Postal Code

4. SEC Identification Number A1998-18260 5. (SEC Use Only)

   Industry Classification Code

6. BIR Tax Identification Number 202-464-633

7. (632) 449-6400
   Issuer's Telephone number, including area code

8. N/A.....
   Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	9

Actual number of Directors for the year	9

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Oscar M. Lopez	NED	First Philippine Holdings Corp. (FPH)	FPH (through FPH President and COO Elpidio L. Ibañez)	December 1998	May 12, 2014	Annual General Meeting	16
Federico R. Lopez	ED	FPH	-same-	December 1998	May 12, 2014	-same-	16
Francis Giles B. Puno	ED	FPH	-same-	August 2005	May 12, 2014	-same-	9
Richard B. Tantoco	ED	FPH	-same-	August 2005	May 12, 2014	-same-	9
Peter D. Garrucho Jr.	NED	FPH	-same-	December 1998	May 12, 2014	-same-	16
Elpidio L. Ibañez	NED	FPH	-same-	December 1998	May 12, 2014	-same-	16
Eugenio L. Lopez III	NED	FPH	-same-	September 2009	May 12, 2014	-same-	5
Tony Tan Caktiong	ID	-	Andre Lloyd A. Torres (no relation)	April 2005	May 12, 2014 (Served 2 full years as ID)	-same-	9
Jaime I. Ayala	ID	-	Fico Mark Atom D. Medina (no relation)	May 2013	May 12, 2014 (Currently on his 2nd year as ID)	-same-	1

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

CORPORATE GOVERNANCE POLICY - The board of directors, management and employees of the company commit themselves to the principles and best practices contained in the Manual on Corporate Governance, and acknowledge that the same will guide the attainment of the Corporation's mission, vision and corporate goals. The manual intends to institutionalize the principles of good corporate governance. The board of directors, management, employees and shareholders of the Corporation believe that corporate governance is a necessary component of what constitutes sound strategic business management to improve the economic and commercial prosperity of the Corporation and enhance shareholder value. They will therefore undertake

[1] Reckoned from the election immediately following January 2, 2012.

every effort necessary to create awareness within the Corporation.

DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS - The board shall have the principal responsibility of ensuring the Corporation's compliance with the principles of good corporate governance. Corollary to setting the policies for the accomplishment of corporate objectives, the board shall provide an independent check on management. It shall be the board's duty and responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, and in proper cases, its shareholders and other stakeholders. The board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

Further, the board has the following specific duties and functions to implement corporate governance principles: establish a process for the selection of qualified and competent directors and officers and adopt an effective succession planning program for management; determine the Corporation's purpose, vision and mission, and strategies to carry out its objectives; provide sound strategic policies and guidelines to the Corporation on major capital expenditures; ensure that the Corporation complies with all relevant laws, regulations and best business practices; identify the Corporation's major and other stakeholders and formulate a clear policy of accurate, timely and effective communication with them; establish and maintain an investor relations program that will keep the Corporation's stockholders informed of important developments in the Corporation; adopt a system of internal checks and balances and conduct a regular review of the effectiveness of such a system to ensure the integrity of the decision-making and reporting processes; identify key risk areas and key performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability; properly discharge board functions by meeting regularly; independent views during board meetings shall be given due consideration and all such meetings shall be duly minuted; keep board authority within the powers of the Corporation as prescribed in its Articles of Incorporation and By-laws, and in existing laws, rules and regulations; and as may be deemed proper by the board, establish and maintain an alternative dispute resolution system in the Corporation to allow for the amicable settlement of conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties.

DISCLOSURE DUTIES - The reports or disclosures required under the manual shall be prepared and submitted to the SEC by the responsible committee or corporate officer, as the case may be. The board shall commit at all times to fully disclose material information dealings of the Corporation as required by applicable laws.

DISCLOSURE AND TRANSPARENCY - The essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for management and the dominant stockholders to mismanage the Corporation or misappropriate its assets. It is essential that all material information about the Corporation which could adversely affect its viability or the interests of its stockholders as a whole be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off-balance sheet transactions, related party transactions, and remuneration of members of the board and management. All such information should be disclosed through the appropriate exchange mechanisms and submissions to the SEC.

RESPECT FOR THE RIGHTS OF MINORITY SHAREHOLDERS AND OTHER STAKEHOLDERS – The board recognizes and shall respect the rights of the stockholders under the law, the Articles of Incorporation and By-laws, specifically the stockholders' rights to vote on all matters that require their consent or approval, right to inspect corporate books and records; right to information; right to dividends, and appraisal rights. The board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. It is the duty of the board to promote the rights of stockholders, remove impediments to the exercise of those rights, and provide an adequate avenue for them to seek timely redress for breach of their rights. The board should take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to arrive at a sound judgment pertaining to matters brought to their attention for consideration or approval. All stockholders should be treated equally and without discrimination, and the board should consider granting minority stockholders the right to propose the holding of meetings as may be proper under the circumstances and the items for discussion in the agenda that relate directly to the business of the Corporation.

(c) How often does the Board review and approve the vision and mission?

The board of directors conducted its annual Strategic Board Update on October 1, 2014, during which the directors reviewed and confirmed the company's vision and mission.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Oscar M. Lopez	First Philippine Holdings Corp. Bauang Private Power Corp. FG Bukidnon Power Corp. First Gen Energy Solutions, Inc. First Gen Geothermal Power Corp. First Gen Luzon Power Corp. First Gen Visayas Hydro Power Corp. First Gen Mindanao Hydro Power Corp. First Gen Premier Energy Corp. First Gen Prime Energy Corp. First Gen Renewables, Inc. First Gen Visayas Energy Inc. Northern Terracotta Power Corp. Prime Terracota Holdings Corp. Red Vulcan Holdings Corp. First Gas Pipeline Corp. First Gas Holdings Corp. FGLand Corp. FGP Corp. First Gas Power Corp. First NatGas Power Corp. Alliedgen Power Corp. Unified Holdings Corp. Energy Development Corp. Bacman Energy Development Corp. Unified Leyte Geothermal Energy Inc. Southern Negros Geothermal, Inc. Bacman Geothermal Inc. EDC Burgos Wind Power Corp. EDC Wind Energy Holdings Inc. Green Core Geothermal Inc. EDC Geothermal Corp. First Gen Hydro Power Corp. Lopez Holdings Corp. Rockwell Land Corp. ABS-CBN Corp.	Executive (First Philippine Holdings Corp.) and non-executive
Federico R. Lopez	First Philippine Holdings Corp. Bauang Private Power Corp. Blue Vulcan Holdings Corp. FG Bukidnon Power Corp. First Gen Energy Solutions, Inc. First Gen Geothermal Power Corp. First Gen Luzon Power Corp. First Gen Visayas Hydro Power Corp. First Gen Mindanao Hydro Power Corp.	Executive

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	FG Mindanao Renewables Corp. FGEN Northern Mindanao Holdings, Inc. FGEN Tagoloan Hydro Corp. FGEN Tumalaong Hydro Corp. FGEN Bubunawan Hydro Corp. FGEN Cabadbaran Hydro Corp. FGEN Puyo Hydro Corp. First Gen Northern Energy Corp. First Gen Premier Energy Corp. First Gen Prime Energy Corp. First Gen Renewables, Inc. First Gen Visayas Energy Inc. Northern Terracotta Power Corp. Prime Meridian Powergen Corp. Prime Terracota Holdings Corp. Red Vulcan Holdings Corp. First Gas Pipeline Corp. First Gas Holdings Corp. FGLand Corp. FGP Corp. First Gas Power Corp. First NatGas Power Corp. Alliedgen Power Corp. Unified Holdings Corp. Goldsilk Holdings Corp. OneCore Holdings, Inc. DualCore Holdings, Inc. Energy Development Corp. Kayabon Geothermal, Inc. EDC Mindanao Geothermal Inc. Bacman Energy Development Corp. Unified Leyte Geothermal Energy Inc. Southern Negros Geothermal, Inc. Bacman Geothermal Inc. EDC Burgos Wind Power Corp. EDC Wind Energy Holdings Inc. Green Core Geothermal Inc. EDC Geothermal Corp. First Gen Hydro Power Corp. FGEN Power Ventures, Inc. FGEN Northern Power Corp. FGEN LNG Corporation First Gen LNG Holdings Corporation FGEN Aqua Power Holdings Inc. FGEN Power Holdings, Inc. FGEN Power Solutions, Inc. FGEN Prime Holdings, Inc. FGEN Reliable Energy Holdings, Inc. FGEN Vibrant Blue Sky Holdings, Inc. FGEN Eco Solutions Holdings, Inc. First Gen Meridian Holdings, Inc.	
Francis Giles B. Puno	First Philippine Holdings Corp. Bauang Private Power Corp. Blue Vulcan Holdings Corp. FG Bukidnon Power Corp. First Gen Energy Solutions, Inc. First Gen Geothermal Power Corp. First Gen Luzon Power Corp. First Gen Visayas Hydro Power Corp. First Gen Mindanao Hydro Power Corp. FG Mindanao Renewables Corp. FGEN Northern Mindanao Holdings, Inc. FGEN Tagoloan Hydro Corp. FGEN Tumalaong Hydro Corp. FGEN Bubunawan Hydro Corp.	Executive

	FGEN Cabadbaran Hydro Corp. FGEN Puyo Hydro Corp. First Gen Northern Energy Corp. First Gen Premier Energy Corp. First Gen Prime Energy Corp. First Gen Renewables, Inc. First Gen Visayas Energy Inc. Northern Terracotta Power Corp. Prime Meridian Powergen Corp. Red Vulcan Holdings Corp. First Gas Pipeline Corp. First Gas Holdings Corp. FGLand Corp. FGP Corp. First Gas Power Corp. First NatGas Power Corp. Alliedgen Power Corp. Unified Holdings Corp. Goldsilk Holdings Corp. OneCore Holdings, Inc. DualCore Holdings, Inc. Energy Development Corp. Kayabon Geothermal, Inc. EDC Mindanao Geothermal Inc. Bacman Energy Development Corp. Unified Leyte Geothermal Energy Inc. Southern Negros Geothermal, Inc. Bacman Geothermal Inc. EDC Burgos Wind Power Corp. EDC Wind Energy Holdings Inc. Green Core Geothermal Inc. EDC Geothermal Corp. First Gen Hydro Power Corp. FGEN Power Ventures, Inc. FGEN Northern Power Corp. FGEN LNG Corporation First Gen LNG Holdings Corporation FGEN Aqua Power Holdings Inc. FGEN Power Holdings, Inc. FGEN Power Solutions, Inc. FGEN Prime Holdings, Inc. FGEN Reliable Energy Holdings, Inc. FGEN Vibrant Blue Sky Holdings, Inc. FGEN Eco Solutions Holdings, Inc. First Gen Meridian Holdings, Inc.	
Richard B. Tantoco	Blue Vulcan Holdings Corp. First Gen Energy Solutions, Inc. First Gen Geothermal Power Corp. First Gen Luzon Power Corp. First Gen Visayas Hydro Power Corp. First Gen Mindanao Hydro Power Corp. FG Mindanao Renewables Corp. FGEN Northern Mindanao Holdings, Inc. FGEN Tagoloan Hydro Corp. FGEN Tumalaong Hydro Corp. FGEN Bubunawan Hydro Corp. FGEN Cabadbaran Hydro Corp. FGEN Puyo Hydro Corp. First Gen Premier Energy Corp. First Gen Prime Energy Corp. First Gen Renewables, Inc. First Gen Visayas Energy Inc. Northern Terracotta Power Corp. Prime Meridian Powergen Corp. Red Vulcan Holdings Corp.	Executive

	First Gas Pipeline Corp. First Gas Holdings Corp. FGLand Corp. FGP Corp. First Gas Power Corp. First NatGas Power Corp. Goldsilk Holdings Corp. OneCore Holdings, Inc. DualCore Holdings, Inc. Energy Development Corp. Kayabon Geothermal, Inc. EDC Mindanao Geothermal Inc. Bacman Energy Development Corp. Unified Leyte Geothermal Energy Inc. Southern Negros Geothermal, Inc. Bacman Geothermal Inc. EDC Burgos Wind Power Corp. EDC Wind Energy Holdings Inc. Green Core Geothermal Inc. EDC Geothermal Corp. First Gen Hydro Power Corp. FGEN Power Ventures, Inc. FGEN Northern Power Corp. FGEN LNG Corporation First Gen LNG Holdings Corporation FGEN Aqua Power Holdings Inc. FGEN Power Holdings, Inc. FGEN Power Solutions, Inc. FGEN Prime Holdings, Inc. FGEN Reliable Energy Holdings, Inc. FGEN Vibrant Blue Sky Holdings, Inc. FGEN Eco Solutions Holdings, Inc. First Gen Meridian Holdings, Inc.	
Peter D. Garrucho Jr.	First Philippine Holdings Corp. FG Bukidnon Power Corp. First Gen Energy Solutions, Inc. First Gen Geothermal Power Corp. First Gen Luzon Power Corp. First Gen Visayas Hydro Power Corp. First Gen Mindanao Hydro Power Corp. First Gen Premier Energy Corp. First Gen Prime Energy Corp. First Gen Renewables, Inc. First Gen Visayas Energy Inc. Red Vulcan Holdings Corp. First Gas Pipeline Corp. First Gas Holdings Corp. FGLand Corp. FGP Corp. First Gas Power Corp. First NatGas Power Corp. Alliedgen Power Corp. Unified Holdings Corp. Energy Development Corp. First Gen Hydro Power Corp.	Non-executive
Elpidio L. Ibañez	First Philippine Holdings Corp. Bauang Private Power Corp. FG Bukidnon Power Corp. First Gen Geothermal Power Corp. First Gen Luzon Power Corp. First Gen Visayas Hydro Power Corp. First Gen Mindanao Hydro Power Corp. FG Mindanao Renewables Corp. FGEN Northern Mindanao Holdings, Inc. FGEN Tagoloan Hydro Corp.	Executive (First Philippine Holdings Corp.) and non-executive

	FGEN Tumalaong Hydro Corp. FGEN Bubunawan Hydro Corp. FGEN Cabadbaran Hydro Corp. FGEN Puyo Hydro Corp. Northern Terracotta Power Corp. First Gas Pipeline Corp. First Gas Holdings Corp. FGLand Corp. FGP Corp. First Gas Power Corp. First NatGas Power Corp. Alliedgen Power Corp. Unified Holdings Corp. Energy Development Corp. Kayabon Geothermal, Inc. EDC Mindanao Geothermal Inc. Green Core Geothermal Inc. EDC Geothermal Corp. Rockwell Land Corp. Bayan Telecommunications Holdings Corporation Bayan Telecommunications Inc.	
Eugenio L. Lopez III	ABS-CBN Corp. First Philippine Holdings Corp. Bauang Private Power Corp. Lopez Holdings Corp. Sky Vision Corporation Rockwell Land Corp. Bayan Telecommunications Holdings Corporation Bayan Telecommunications Inc.	Executive and non-executive
Tony Tan Caktiong	n/a	n/a
Jaime I. Ayala	n/a	n/a

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Tony Tan Caktiong	Philippine Long Distance Telephone Company	Non-executive
	Jollibee Foods Corporation	Chairman
	Double Dragon Properties Corp.	Co-Chairman

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Oscar M. Lopez	First Philippine Holdings Corp.	Director, Chairman Emeritus and Chief Strategic Officer
Federico R. Lopez	First Philippine Holdings Corp.	Director, Chairman and Chief Executive Officer
Elpidio L. Ibañez	First Philippine Holdings Corp.	Director, President and Chief Operating Officer
Francis Giles B. Puno	First Philippine Holdings Corp.	Director, Chief Financial Officer, Treasurer

		and Executive Vice President
Richard B. Tantoco	First Philippine Holdings Corp.	Executive Vice President
Eugenio L. Lopez III	First Philippine Holdings Corp.	Director

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

Under Section 3.4.2 of the company's Manual on Corporate Governance, one of the specific duties of a director is to devote time and attention to the company necessary to properly and effectively perform his duties and responsibilities. The board is considering the adoption of appropriate guidelines on the number of directorships that its members of the board can hold in other corporations.

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

(As of December 31, 2014)

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Oscar M. Lopez	5,461,226		0.1623%
		Through Consuelo R. Lopez – 235,050	0.0070%
		Through Ma. Consuelo R. Lopez – 75,000	0.0022%
Federico R. Lopez	5,568,983		0.1656%
	Federico R. Lopez ITF Juan Roberto Daniel Lopez – 414		0%
	Federico Daniel R. Lopez ITF Juan Roberto Daniel Lopez – 414		0%
		Through Monina D. Lopez – 264,738	0.0079%
Francis Giles B. Puno	6,985,130		0.2076%
	Francis Giles B. Puno and/or Ma. Patricia D. Puno – 1,105,800		0.0329%
Richard B. Tantoco	4,748,820		0.1412%
Peter D. Garrucho Jr.	6,887,004		0.2047%
Elpidio L. Ibañez	1,900,000		0.0565%
Eugenio L. Lopez III	150		0%
Tony Tan Caktiong	165		0%
Jaime I. Ayala	1		0%
TOTAL	33,232,895		0.9879%

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [ ] No [/]

Although one person occupies the positions of Chairman and Chief Executive Officer, this does not in any way deter the exchange of independent views among the members of the board of directors. In the first place, there are only 3 executive directors out of the total 9 directors. Of the remaining 6 non-executive directors, 2 are independent directors. These 2 independent directors are recognized experts in their respective areas and are highly regarded by their peers. The views and opinions they express during board meetings are given serious consideration by the other directors as well as management. Moreover, each director is provided an opportunity to raise an issue which is not in the agenda, and free-flowing discussion is highly encouraged.

Secondly, the Audit Committee, which is tasked to assist the directors in its oversight responsibilities for financial reporting, internal control systems, internal audit activities, and compliance with key regulatory requirements, among others, is headed by an Independent Director. The company believes that this arrangement provides an efficient system of checks and balances among the members of the board.

Thirdly, there is a check on the power of the Chairman to call a meeting and set the agenda. Article II, Section 5 of the By-Laws provides that regular meetings may be held at such times and upon such notice as may be fixed by resolution of the board of directors. Further, special meetings may be called by the President or by written request of any five (5) directors.

For the above reasons, the Corporation firmly believes that it has in place sufficient safeguards to ensure sound corporate governance notwithstanding the fact that the positions of Chairman and CEO are held by one individual.

Identify the Chair and CEO:

Chairman of the Board	Federico R. Lopez
CEO/President	CEO – Federico R. Lopez President – Francis Giles B. Puno

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	**Chief Executive Officer**
Role	The Chairman acts as the company's representative. He is also primarily responsible for providing leadership to the board of directors.	The CEO is in charge of the general management and administration of the Corporation. He is responsible for providing leadership to the business of the company.
Accountabilities	1. He takes the chair at stockholders' and board of directors' meetings. 2. He chairs the Nomination and Governance Committee to help ensure that each board election results in a mix of proficient directors. 3. He provides assistance to ensure compliance with the Corporation's Manual on Corporate Governance. 4. He exercises such other powers as may be conferred upon him by the board of directors.	1. He formulates the company's plans, policies and strategies and helps ensure their implementation. 2. He provides leadership and guidance to the company's executives, and evaluates their performance. 3. He oversees the operation of the business and evaluates the performance of the company.
Deliverables	1. He ensures the orderly conduct of shareholders' and board of directors' meetings by supervising the preparation of the agenda in coordination with the Corporate Secretary, and taking into consideration any suggestions from the President, management and other directors. He ensures that the directors receive accurate and timely information on matters brought before the board. He encourages the exchange of views and opinions with the end view of arriving at a resolution that is beneficial to the company. 2. He ensures that there exists open lines of communication among the directors,	1. He ensures that the company's business follows a path that is consistent with agreed plans, policies and strategies. 2. He ensures effective communication among the company's executives to ensure that everyone is working towards achieving the same goals and aspirations. 3. He provides stockholders information on the business of the Corporation during the Annual General Meeting.

	especially between the executive and non-executive directors, and makes certain that the views and opinions expressed by the independent directors are given due importance and consideration.	

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The board ensures the continuous development of management personnel through training, cross posting, stretch assignments, and special projects. Personnel with potential to be promoted to higher positions are identified through annual competency evaluation.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes. The company's Manual on Corporate Governance requires the members of the company's Nomination and Governance Committee to review and evaluate the qualifications of all persons nominated to the board to ensure that each board election will result in a mix of proficient directors, each of whom will be able to add value and bring prudent judgment to the board.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. The members of the Nomination and Governance Committee, in their evaluation of the qualifications of nominees for board members, ensure that the board will always be comprised of a sufficient number of non-executive directors who have had extensive experience in the power industry.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	**Non-Executive**	**Independent Director**
Role	Executive directors provide leadership for the business of the company	Non-executive directors ensure that the board will be able to fulfill its responsibilities and meet its objectives	Independent directors provide impartial guidance and advice to the board based on their competence and expertise
Accountabilities	They are accountable to the company, its officers and employees, and the company's stakeholders	They are accountable to the board of directors, the company and its stakeholders	They are accountable to the company and its stakeholders
Deliverables	Executive directors shall provide guidance on the company's operations and activities	Non-executive directors shall guide the board in fulfilling its fiduciary and statutory duties and responsibilities	Independent directors shall exert such impartial influence as shall help assure that the board fulfills its duties

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Pursuant to Article II Section 2 of the company's By-Laws, an Independent Director is a director independent of the management of the Corporation, who is neither an officer nor employee of the Corporation, its parent or subsidiaries, or any other individual having a relationship with the Corporation, and who, apart from his fees and shareholdings, is free from any business or other relationship with the company which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Corporation.

The company strictly complies with the above definition of independence. The Nomination and Governance Committee, in its review and evaluation of the qualifications of persons nominated for election to the board, ensures that a nomination for independent director is in full compliance with the company's By-Laws, Manual on Corporate Governance, and Rule 38 of the Securities Regulation Code. The committee likewise ensures that no relationship exists between the nominator and nominee.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The company is compliant with SEC Memorandum Circular No. 9 (Series of 2011) and has no independent director serving for more than 5 consecutive years (counted from the effectivity of said SEC memorandum on January 2, 2012).

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

There were no changes in the board of directors during the period 2013-2014.

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	The Nomination and Governance Committee passes upon the qualifications of nominees for executive directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees. Article II Section 2 of the By-laws requires that all nominations for election of directors be submitted in writing to the board of directors at least 30 working days prior to the date of the meeting. The names, credentials and business experience of all qualified nominees are duly indicated in the company's Information Statement which is distributed to all stockholders entitled to vote for the directors pursuant to SRC Rule 20. During the meeting for the election of directors, stockholders vote for or against the election of such nominees to the board.	The Nomination and Governance Committee passes upon the qualifications of persons nominated for election as executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance.
(ii) Non-Executive Directors	The Nomination and Governance Committee passes upon the qualifications of nominees for non-executive directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees. Article II Section 2 of the By-laws requires that all nominations for election of directors be submitted in writing to the board of directors at least 30 working days prior to the date of the meeting. The names, credentials and business experience of all qualified nominees are duly indicated in the company's Information Statement which is distributed to all stockholders entitled to vote for the directors pursuant to SRC Rule 20. During the meeting for the election of	The Nomination and Governance Committee passes upon the qualifications of persons nominated for election as non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance.

	directors, stockholders vote for or against the election of such nominees to the board.	
(iii) Independent Directors	The Nomination and Governance Committee passes upon the qualifications of nominees for independent directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees. In accordance with SRC Rule 38, the committee shall prepare a final list of candidates for independent directors. The final list shall contain all the information about the nominees, and form part of the Information Statement which is distributed to all stockholders entitled to vote. During the meeting for the election of directors, stockholders vote for or against the election of such independent directors.	The Nomination and Governance Committee passes upon the qualifications of persons nominated for election as independent directors in accordance with the criteria provided in the company's By-laws and Manual on Corporate Governance, and SRC Rule 38.
b. Re-appointment		
(i) Executive Directors	The Nomination and Governance Committee passes upon the qualifications of persons nominated for re-election as executive directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees. Article II Section 2 of the By-laws requires that all nominations for election of directors be submitted in writing to the board of directors at least 30 working days prior to the date of the meeting. The names, credentials, business experience, as well as date of first election to the board, of all qualified nominees are duly indicated in the company's Information Statement which is distributed to all stockholders entitled to vote for the directors pursuant to SRC Rule 20. During the meeting for the election of directors, stockholders vote for or against the re-election of such nominees to the board.	The Nomination and Governance Committee passes upon the qualifications of persons nominated for re-election as executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance.
(ii) Non-Executive Directors	The Nomination and Governance Committee passes upon the qualifications of persons nominated for re-election as non-executive directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees. Article II Section 2 of the By-laws requires that all nominations for election of directors be submitted in writing to the board of directors at least 30 working days prior to the date of the meeting. The names, credentials, business experience, as well as date of first election to the board, of all qualified nominees are duly indicated in the company's Information Statement which is distributed to all stockholders entitled to vote for the directors pursuant to SRC Rule 20. During the meeting for the election of directors, stockholders vote for or against the re-election of such nominees to the board.	The Nomination and Governance Committee passes upon the qualifications of persons nominated for re-election as non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance.
(iii) Independent Directors	The Nomination and Governance Committee passes upon the qualifications of persons nominated for re-election as independent directors. It shall pre-screen and shortlist all candidates to the board, and make recommendations to the board on qualified nominees. In accordance with SRC Rule 38, the committee shall prepare a final list of candidates for independent directors. The final list shall contain all the information about the nominees,	The Nomination and Governance Committee passes upon the qualifications of persons nominated for re-election as independent directors in accordance with the criteria provided in the company's By-laws and Manual on Corporate Governance, SRC Rule 38, as

	including the date of first appointment as independent director and any relationship between the nominating stockholder and the nominee for independent director, and form part of the Information Statement which is distributed to all stockholders entitled to vote. During the meeting for the election of directors, stockholders vote for or against the re-election of such independent directors.	well as SEC Memorandum Circular Nos. 9 (Series of 2009 and 2011) regarding qualifications of and term limits for independent directors.
c. Permanent Disqualification		
(i) Executive Directors	The Nomination and Governance Committee passes upon the qualifications of executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the permanent disqualification of an executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should the board determine that an executive director should be disqualified from continuing in office, it shall submit the matter to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the permanent disqualification of a director.
(ii) Non-Executive Directors	The Nomination and Governance Committee passes upon the qualifications of non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the permanent disqualification of a non-executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should the board determine that a non-executive director should be disqualified from continuing in office, it shall submit the same to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the permanent disqualification of a director.
(iii) Independent Directors	The Nomination and Governance Committee passes upon the qualifications of independent directors based on the criteria provided in the By-laws, Manual on Corporate Governance, and SRC Rule 38. In the event the committee, by majority vote, finds a ground for the permanent disqualification of an independent director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should	Article II Sections 2 and 3 of the company's By-laws as well as Sections 4.1.4 and 4.1.5 of the Manual on Corporate Governance provide for the criteria for the permanent disqualification of an independent director.

	the board determine that an independent director should be disqualified from continuing in office, it shall submit the same to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	
d. Temporary Disqualification		
(i) Executive Directors	The Nomination and Governance Committee passes upon the qualifications of executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification of an executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the temporary disqualification of a director.
(ii) Non-Executive Directors	The Nomination and Governance Committee passes upon the qualifications of non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification of a non-executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails	Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the temporary disqualification of a director.

	or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	
(iii) Independent Directors	The Nomination and Governance Committee passes upon the qualifications of independent directors based on the criteria provided in the By-laws, Manual on Corporate Governance, and SRC Rule 38. In the event the committee, by majority vote, finds a ground for the temporary disqualification of an independent director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	Article II Sections 2 and 3 of the company's By-laws as well as Sections 4.1.4 and 4.1.5 of the Manual on Corporate Governance provide for the criteria for the temporary disqualification of an independent director.
e. Removal		
(i) Executive Directors	The Nomination and Governance Committee passes upon the qualifications of executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the permanent disqualification of an	Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the permanent disqualification

	executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified and removed from office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should the board determine that an executive director should be disqualified and removed from office, it shall submit the matter to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	and removal of a director. Article 15 of the manual provides that a violation of any provision of the manual by any member of the board of directors shall be a sufficient cause for removal from directorship.
(ii) Non-Executive Directors	The Nomination and Governance Committee passes upon the qualifications of non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the permanent disqualification of a non-executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified and removed from office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should the board determine that a non-executive director should be disqualified and removed from office, it shall submit the same to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the permanent disqualification and removal of a director. Article 15 of the manual provides that a violation of any provision of the manual by any member of the board of directors shall be a sufficient cause for removal from directorship.
(iii) Independent Directors	The Nomination and Governance Committee passes upon the qualifications of independent directors based on the criteria provided in the By-laws, Manual on Corporate Governance, and SRC Rule 38. In the event the committee, by majority vote, finds a ground for the permanent disqualification of an independent director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified and removed from office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Should the board determine that an independent director should be disqualified and removed from office, it shall submit the same to the stockholders for their ratification by a 2/3 vote. However, in accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	Article II Sections 2 and 3 of the company's By-laws as well as Sections 4.1.4 and 4.1.5 of the Manual on Corporate Governance provide for the criteria for the permanent disqualification and removal of an independent director. Article 15 of the manual provides that a violation of any provision of the manual by any member of the board of directors shall be a sufficient cause for removal from directorship.
f. Re-instatement		
(i) Executive Directors	The Nomination and Governance Committee passes upon the qualifications of executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification or	Should an executive director who is temporarily disqualified or suspended based on the criteria provided in Article II Section 3 of the By-laws be able to remedy or

	suspension of an executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification and order his reinstatement to the board.	correct the disqualification within the 60-day period prescribed by the Manual on Corporate Governance, the board shall declare the director as having regained his qualification and order his reinstatement.
(ii) Non-Executive Directors	The Nomination and Governance Committee passes upon the qualifications of non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of a non-executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification and order his reinstatement to the board.	Should a non-executive director who is temporarily disqualified or suspended based on the criteria provided in Article II Section 3 of the By-laws be able to remedy or correct the disqualification within the 60-day period prescribed by the Manual on Corporate Governance, the board shall declare the director as having regained his qualification and order his reinstatement.
(iii) Independent Directors	The Nomination and Governance Committee passes upon the qualifications of independent directors based on the criteria provided in the By-laws, Manual on Corporate Governance, and SRC Rule 38. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of an independent director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days	Should an independent director who is temporarily disqualified or suspended based on the criteria provided in Article II Section 3 of the By-laws be able to remedy or correct the disqualification within the 60-day period prescribed by the Manual on Corporate Governance, the board shall declare the director as having regained his qualification and order his reinstatement.

	from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification and order his reinstatement to the board.	
g. Suspension		
(i) Executive Directors	The Nomination and Governance Committee passes upon the qualifications of executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of an executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the temporary disqualification or suspension of a director.
(ii) Non-Executive Directors	The Nomination and Governance Committee passes upon the qualifications of non-executive directors based on the criteria provided in the By-laws and Manual on Corporate Governance. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of a non-executive director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided	Article II Section 3 of the company's By-laws as well as Section 4.1.5 of the Manual on Corporate Governance provide for the criteria for the temporary disqualification or suspension of a director.

	therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written demand of majority of the stockholders.	
(iii) Independent Directors	The Nomination and Governance Committee passes upon the qualifications of independent directors based on the criteria provided in the By-laws, Manual on Corporate Governance, and SRC Rule 38. In the event the committee, by majority vote, finds a ground for the temporary disqualification or suspension of an independent director, it shall make a recommendation to the board of directors. Pursuant to the By-laws, a director can be disqualified from continuing in office in the event that any of the disqualification grounds provided therein occurs subsequent to his election. Section 4.1.5 of the Manual on Corporate Governance provides that a temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. In view thereof, the board shall duly advise the director of his temporary disqualification and give him the requisite 60-business day period within which to remedy the disqualification, during which time he will be suspended from office. If the board is satisfied that the disqualification has been duly remedied within the said period, it shall declare the director as having regained his qualification to sit in the board. If however the director fails to remedy the disqualification within the said period, the board of directors shall consider the same to be a permanent disqualification and submit to the stockholders for their ratification by a 2/3 vote the matter of the removal of the said director. In accordance with Section 28 of the Corporation Code, a special meeting of the stockholders to consider the removal of a director may be called by the secretary on order of the president, or on written	Article II Sections 2 and 3 of the company's By-laws as well as Sections 4.1.4 and 4.1.5 of the Manual on Corporate Governance provide for the criteria for the temporary disqualification or suspension of an independent director.

	demand of majority of the stockholders.	

Voting Result of the last Annual General Meeting (May 12, 2014)

PROPOSAL		FOR	AGAINST	ABSTAIN
Approval of the minutes of the May 8, 2013 annual general meeting		84.9835%	0%	0.0002%
Approval of the annual report of the President and COO		84.9744%	0%	0.0093%
Election of Directors for 2014-2015	Oscar M. Lopez	82.7496%	2.2339%	0.0002%
	Federico R. Lopez	82.8796%	1.1700%	0.9341%
	Francis Giles B. Puno	83.0946%	1.8889%	0.0002%
	Richard B. Tantoco	79.6126%	5.3709%	0.0002%
	Peter D. Garrucho Jr.	81.1239%	3.8596%	0.0002%
	Elpidio L. Ibañez	81.1730%	3.8105%	0.0002%
	Eugenio L. Lopez III	81.4189%	3.5646%	0.0002%
	Tony Tan Caktiong (Independent Director)	83.1604%	1.8231%	0.0002%
	Jaime I. Ayala (Independent Director)	84.7723%	0.2112%	0.0002%
Approval of the 2013 audited consolidated financial statements		84.9744%	0%	0.0093%
Appointment of external auditor for 2014-2015		84.1820%	0.8015%	0.0002%
Amendment to the 3rd article of the Articles of Incorporation to reflect the specific principal office address of the Corporation in compliance with SEC Memorandum Circular #6 (Series of 2014)		83.0902%	0%	0.0002%
Authority of the Corporation, under clause (i) of the 2nd article of the Articles of Incorporation, to act as a guarantor or co-obligor or assume any obligation of any of its subsidiaries, including but not limited to First NatGas Power Corp. and Prime Meridian Powergen Corporation, under such terms and conditions as the Corporation's duly authorized representatives shall deem necessary, proper or convenient in the best interests of the Corporation and its relevant subsidiary		84.9835%	0%	0.0002%
Ratification and approval of corporate acts from the 2013 annual general meeting up to May 12, 2014		84.8568%	0.1176%	0.0093%

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

Pursuant to Section 10 of the company's Manual on Corporate Governance, the board may require a newly-elected director to attend a seminar on corporate governance conducted by any duly-recognized private or government institution. The company also conducts a briefing for newly-elected directors so that they can familiarize themselves with the company's operations, senior management, business environment, strategies and current issues. The Manual on Corporate Governance also provides that newly-elected directors be inducted in terms of their fiduciary duties and responsibilities as well as in respect of the board's

expectations. Appropriate training opportunities for both existing and potential directors may from time to time be identified and undertaken.

Independent Director Jaime I. Ayala, who was first elected on May 8, 2013, attended Strategic Board Updates held on October 16, 2013 and October 1, 2014.

State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Oscar M. Lopez	August 2014	Executive Learning Session by Dr. Ronald Heifetz	Senior Lecturer, Harvard Kennedy School
	September 2014	Corporate Governance	SyCip Gorres Velayo & Co.
	October 2014	Strategic Board Update	
	February 2013	Creating and Preserving Value Through Contracts: What All FPH Execs Must Know	Bonoan Law Firm
	June 2013	Executive Learning Session by Deepak Malhotra	Eli Goldston Professor, Harvard Business School
	August 2013	Executive Learning Session by Richard Greene	Cal Entertainment
	November 2013	Lopez Group HR Summit - Heroic Leadership Executive	Heroic Leadership Philippines
	June 2012	Learning Session by Ranjay Gulati	Jaime & Josefina Chua Tiampo, Professor, Harvard Business School
Federico R. Lopez	August 2014	Executive Learning Session by Dr. Ronald Heifetz	Senior Lecturer, Harvard Kennedy School
	November 24, 2014	Corporate Governance	SyCip Gorres Velayo & Co.
	October 2014	Strategic Board Update	
	February 2013	Creating and Preserving Value Through Contracts: What All FPH Execs Must Know	Bonoan Law Firm
	June 2013	Executive Learning Session by Deepak Malhotra	Eli Goldston Professor, Harvard Business School
	August 2013	Executive Learning Session by Richard Greene	Cal Entertainment
	October 2013	Strategic Board Update	
	June 2012 and September 2012	Executive Learning Session by Ranjay Gulati	Jaime & Josefina Chua Tiampo, Professor, Harvard

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

			Business School
Elpidio L. Ibañez	August 2014	Executive Learning Session by Dr. Ronald Heifetz	Senior Lecturer, Harvard Kennedy School
	September 2014	Corporate Governance	SyCip Gorres Velayo & Co.
	October 2014	Strategic Board Update	
	February 2013	Creating and Preserving Value Through Contracts: What All FPH Execs Must Know	Bonoan Law Firm
	June 2013	Executive Learning Session by Deepak Malhotra	Eli Goldston Professor, Harvard Business School
	October 2013	Strategic Board Update	
	June 2012 and September 2012	Executive Learning Session by Ranjay Gulati	Jaime & Josefina Chua Tiampo, Professor, Harvard Business School
	May 2011	Winning in Emerging Markets by Dr. Tarun Khanna	Jorge Paulo Lemann Professor, Harvard Business School
Francis Giles B. Puno	August 2014	Executive Learning Session by Dr. Ronald Heifetz	Senior Lecturer, Harvard Kennedy School
	November 2014	Corporate Governance	SyCip Gorres Velayo & Co.
	October 2014	Strategic Board Update	
	February 2013	Creating and Preserving Value Through Contracts: What All FPH Execs Must Know	Bonoan Law Firm
	June 2013	Executive Learning Session by Deepak Malhotra	Eli Goldston Professor, Harvard Business School
	August 2013	Executive Learning Session by Richard Greene	Cal Entertainment
	October 2013	Strategic Board Update	
	June 2012 and September 2012	Executive Learning Session by Ranjay Gulati	Jaime & Josefina Chua Tiampo, Professor, Harvard Business School
	May 2011	Winning in Emerging Markets by Dr. Tarun Khanna	Jorge Paulo Lemann Professor, Harvard Business School
	August 2011	GE Global Learning - Crotonville Leadership	John F. Welch Center (GE Crotonville), New York
Richard B. Tantoco	August 2014	Executive Learning Session by Dr. Ronald Heifetz	Senior Lecturer, Harvard Kennedy School
	September 2014	Corporate Governance	SyCip Gorres Velayo & Co.
	October 2014	Strategic Board Update	

	February 2013	Creating and Preserving Value Through Contracts: What All FPH Execs Must Know	Bonoan Law Firm
	June 2013	Executive Learning Session by Deepak Malhotra	Eli Goldston Professor, Harvard Business School
	August 2013	Executive Learning Session by Richard Greene	Cal Entertainment
	October 2013	Strategic Board Update	
	June 2012 and September 2012	Executive Learning Session by Ranjay Gulati	Jaime & Josefina Chua Tiampo, Professor, Harvard Business School
	May 2011	Winning in Emerging Markets by Dr. Tarun Khanna	Jorge Paulo Lemann Professor, Harvard Business School
	August 2010	GE Global Learning - Crotonville Leadership	John F. Welch Center (GE Crotonville), New York
Tony Tan Caktiong	August 2014	Corporate Governance	SyCip Gorres Velayo & Co.
	October 2014	Strategic Board Update	
	October 2013	Strategic Board Update	
	November 2012	Navigating the New World of Business	
Jaime I. Ayala	September 2014	Corporate Governance	SyCip Gorres Velayo & Co.
	October 2014	Strategic Board Update	
	October 2013	Strategic Board Update	
	2009	Training for board directors	Institute of Corporate Directors

Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Oscar M. Lopez	August 2014	Executive Learning Session by Dr. Ronald Heifetz	Senior Lecturer, Harvard Kennedy School
	September 2014	Corporate Governance	SyCip Gorres Velayo & Co.
	October 2014	Strategic Board Update	
	February 2013	Creating and Preserving Value Through Contracts: What All FPH Execs Must Know	Bonoan Law Firm
	June 2013	Executive Learning Session by Deepak Malhotra	Eli Goldston Professor, Harvard Business School

	August 2013	Executive Learning Session by Richard Greene	Cal Entertainment
	November 2013	Lopez Group HR Summit - Heroic Leadership	Heroic Leadership Philippines
Federico R. Lopez	August 2014	Executive Learning Session by Dr. Ronald Heifetz	Senior Lecturer, Harvard Kennedy School
	November 2014	Corporate Governance	SyCip Gorres Velayo & Co.
	October 2014	Strategic Board Update	
	February 2013	Creating and Preserving Value Through Contracts: What All FPH Execs Must Know	Bonoan Law Firm
	June 2013	Executive Learning Session by Deepak Malhotra	Eli Goldston Professor, Harvard Business School
	August 2013	Executive Learning Session by Richard Greene	Cal Entertainment
	October 2013	Strategic Board Update	
Elpidio L. Ibañez	August 2014	Executive Learning Session by Dr. Ronald Heifetz	Senior Lecturer, Harvard Kennedy School
	September 2014	Corporate Governance	SyCip Gorres Velayo & Co.
	October 2014	Strategic Board Update	
	February 2013	Creating and Preserving Value Through Contracts: What All FPH Execs Must Know	Bonoan Law Firm
	June 2013	Executive Learning Session by Deepak Malhotra	Eli Goldston Professor, Harvard Business School
	October 2013	Strategic Board Update	
Francis Giles B. Puno	August 2014	Executive Learning Session by Dr. Ronald Heifetz	Senior Lecturer, Harvard Kennedy School
	November 2014	Corporate Governance	SyCip Gorres Velayo & Co.
	October 2014	Strategic Board Update	
	February 2013	Creating and Preserving Value Through Contracts: What All FPH Execs Must Know	Bonoan Law Firm
	June 2013	Executive Learning Session by Deepak Malhotra	Eli Goldston Professor, Harvard Business School
	August 2013	Executive Learning Session by Richard Greene	Cal Entertainment
	October 2013	Strategic Board Update	

Richard B. Tantoco	August 2014 September 2014 October 2014 February 2013 June 2013 August 2013 October 2013	Executive Learning Session by Dr. Ronald Heifetz Corporate Governance Strategic Board Update Creating and Preserving Value Through Contracts: What All FPH Execs Must Know Executive Learning Session by Deepak Malhotra Executive Learning Session by Richard Greene Strategic Board Update	Senior Lecturer, Harvard Kennedy School SyCip Gorres Velayo & Co. Bonoan Law Firm Eli Goldston Professor, Harvard Business School Cal Entertainment
Tony Tan Caktiong	August 2014 October 2014 October 2013	Corporate Governance Strategic Board Update Strategic Board Update	SyCip Gorres Velayo & Co.

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	The Manual on Corporate Governance provides that the board of directors shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The manual also provides that a director should act in a manner characterized by transparency, accountability and fairness.	The company Code on Employee Discipline lists down specific acts which constitute violations of the section regarding conflict of interest. The code provides that in such cases, the employee concerned will be made to give up the conflicting outside interest; otherwise the employee will be asked to resign.	The company Code on Employee Discipline lists down specific acts which constitute violations of the section regarding conflict of interest. The code provides that in such cases, the employee concerned will be made to give up the conflicting outside interest; otherwise the employee will be asked to resign.
(b) Conduct of Business and Fair Dealings	The Manual on Corporate Governance provides that the board of directors shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The manual also provides that a director should act in a manner characterized by transparency, accountability and fairness. Further, the Corporate Code of Conduct was established for the purpose of setting the principles and guidelines in the conduct of the company's businesses and dealings with the company's	The Corporate Code of Conduct was established for the purpose of setting the principles and guidelines in the conduct of the company's businesses and dealings with the company's stakeholders – its shareholders, customers, partners, government and employees. Further, the Company Code on Employee Discipline prescribes the penalty of dismissal for acts of dishonesty.	The Corporate Code of Conduct was established for the purpose of setting the principles and guidelines in the conduct of the company's businesses and dealings with the company's stakeholders – its shareholders, customers, partners, government and employees. Further, the Company Code on Employee Discipline prescribes the penalty of dismissal for acts of dishonesty.

	stakeholders – its shareholders, customers, partners, government and employees.		
(c) Receipt of gifts from third parties	The Manual on Corporate Governance provides that the board of directors shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The manual also provides that a director should act in a manner characterized by transparency, accountability and fairness.	The Company Code on Employee Discipline provides for the penalty of dismissal for soliciting or receiving money, gifts, or a share, percentage or benefits from any person, personally or through the mediation of another, to perform an act prejudicial to the company or as a condition for the performance of one's duty.	The Company Code on Employee Discipline provides for the penalty of dismissal for soliciting or receiving money, gifts, or a share, percentage or benefits from any person, personally or through the mediation of another, to perform an act prejudicial to the company or as a condition for the performance of one's duty.
(d) Compliance with Laws & Regulations	Under the Manual on Corporate Governance, the board may consider, as a ground for the temporary disqualification of a director, such director's refusal to comply with the disclosure requirements of the SRC and its IRR. Further, the manual provides that the Audit Committee shall assist the board in the performance of its oversight responsibility for, among others, the monitoring of compliance with applicable laws, rules and regulations. In reviewing the company's financial statements, the committee shall focus on, among others, compliance with tax, legal and regulatory requirements. Further, the Corporate Code of Conduct provides that the company recognizes the authority of the government. The company abides by their rules, orders and decisions, and strives to support activities which are aligned with its aspirations to fulfill its responsibilities as corporate citizens and members of society.	The Corporate Code of Conduct provides that the company recognizes the authority of the government. The company abides by their rules, orders and decisions, and strives to support activities which are aligned with its aspirations to fulfill its responsibilities as corporate citizens and members of society. The Manual on Corporate Governance provides that the Compliance Officer shall monitor compliance by the company with the provisions of the manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the board of directors and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent a repetition of the violation.	The Corporate Code of Conduct provides that the company recognizes the authority of the government. The company abides by their rules, orders and decisions, and strives to support activities which are aligned with its aspirations to fulfill its responsibilities as corporate citizens and members of society. The Manual on Corporate Governance provides that the Compliance Officer shall monitor compliance by the company with the provisions of the manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the board of directors and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent a repetition of the violation.
(e) Respect for Trade Secrets/Use of Non-public Information	The Manual on Corporate Governance provides that the board of directors shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The manual also provides that a director should act in a manner characterized by transparency, accountability and fairness.	The Company Code on Employee Discipline provides for the penalty of dismissal for acts constituting violations of the confidentiality of work and information.	The Company Code on Employee Discipline provides for the penalty of dismissal for acts constituting violations of the confidentiality of work and information.
(f) Use of Company Funds, Assets and Information	The Manual on Corporate Governance provides that the board of directors shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The manual	The Company Code on Employee Discipline provides for penalties from written warning to dismissal, depending on gravity of the offense, for several types of unauthorized, improper or abusive use of company property.	The Company Code on Employee Discipline provides for penalties from written warning to dismissal, depending on gravity of the offense, for several types of unauthorized, improper or

	also provides that a director should act in a manner characterized by transparency, accountability and fairness.		abusive use of company property.
(g) Employment & Labor Laws & Policies		The Corporate Code of Conduct provides that employees are the company's most important resource. The company is committed to fostering a work environment that encourages innovative and entrepreneurial employees to build its business, where employees are treated with respect and dignity, and where they are given the opportunity to contribute to value creation while developing and using their full potential. The company also has an Anti-Sexual Harassment Policy which is intended to promote a favorable work environment that values the dignity of every person and guarantees full respect of human rights, free from offensive behavior and intimidation detracting from employees' ability to perform their jobs. It identifies procedures to be followed in investigating and resolving complaints alleging specifically prohibited conduct, and emphasizes the education and training of employees.	The Corporate Code of Conduct provides that employees are the company's most important resource. The company is committed to fostering a work environment that encourages innovative and entrepreneurial employees to build its business, where employees are treated with respect and dignity, and where they are given the opportunity to contribute to value creation while developing and using their full potential. The company also has an Anti-Sexual Harassment Policy which is intended to promote a favorable work environment that values the dignity of every person and guarantees full respect of human rights, free from offensive behavior and intimidation detracting from employees' ability to perform their jobs. It identifies procedures to be followed in investigating and resolving complaints alleging specifically prohibited conduct, and emphasizes the education and training of employees.
(h) Disciplinary action	Under the Manual on Corporate Governance, the board of directors commits itself to the principles and best practices contained in the manual. Under the manual, the Compliance Officer shall monitor compliance with the provisions of the manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the board and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent a repetition of the violation. For non-compliance with the manual, the board of directors may impose appropriate sanctions or corrective actions, after notice and hearing. Sanctions may include censure, suspension and removal from office depending on the gravity of the offense and frequency of the violation.	The Company Code on Employee Discipline provides for penalties from written warning to dismissal, depending on gravity of the offense, for violations of acts provided in the section pertaining to Conduct and Behavior. Further, under the Manual on Corporate Governance, the Compliance Officer shall monitor compliance by the company with the manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the board and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent a repetition of the violation. For non-compliance with the manual, the board of directors may impose appropriate sanctions or corrective actions, after notice and hearing. Sanctions may include censure, suspension and removal from office depending on the gravity of the offense and frequency of the	The Company Code on Employee Discipline provides for penalties from written warning to dismissal, depending on gravity of the offense, for violations of acts provided in the section pertaining to Conduct and Behavior. Further, under the Manual on Corporate Governance, the Compliance Officer shall monitor compliance by the company with the manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the board and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent a repetition of the violation. For non-compliance with the manual, the board of directors may impose appropriate sanctions or corrective actions, after notice

	A violation of any provision of the manual by a member of the board of directors shall be a sufficient cause for removal from directorship.	violation.	and hearing. Sanctions may include censure, suspension and removal from office depending on the gravity of the offense and frequency of the violation.
(i) Whistle Blower	Among the functions of the Audit Committee is to ensure that the performance of the work of the internal auditor is free from interference from outside parties. As such, the Audit Committee is tasked to establish and identify the reporting line of the internal auditor, and ensure the establishment of a transparent financial management controls systems. The internal auditor reports directly to the Audit Committee. As such, the Audit Committee may request information, data and clarification from the officers of the Corporation in the performance of their duties and responsibilities. With the objective of implementing a whistle-blower policy, under Section 5 of the Manual on Corporate Governance, the Audit Committee is authorized to conduct or authorize an investigation into any matter within the scope of responsibility, as follows: • Appoint , compensate, and oversee the work of any registered public accounting and/or auditing firm employed by the company; • Retain external counsel, accountants, or other consultants to advise the committee or assist in the conduct of investigation; • Seek any information it requires from employees of the company – all of whom shall be directed to cooperate with the committee – as well as duly authorized third parties; and • Confer and consult with company officers, external auditors, or outside counsel as it deems necessary.	-same-	-same-
(j) Conflict Resolution	Under the Manual on Corporate Governance, the board of	Under Section 15 of the Manual on Corporate Governance, the board	Under Section 15 of the Manual on Corporate

	directors may establish and maintain, as it may deem proper, an alternative dispute resolution system in the company to allow for the amicable settlement of conflicts and differences between the company and its stockholders, and the Corporation and third parties.	may impose appropriate sanctions or corrective actions for non-compliance with the Manual, after notice and hearing. Also, the Company's Code on Employee Discipline mandates that before any penalty or disciplinary action is taken, the company first conduct a proper and thorough investigation on an employee who is alleged to have violated the work rules, or the acts provided in the section pertaining to Conduct and Behavior.	Governance, the board may impose appropriate sanctions or corrective actions for non-compliance with the Manual, after notice and hearing. Also, the Company's Code on Employee Discipline mandates that before any penalty or disciplinary action is taken, the company first conduct a proper and thorough investigation on an employee who is alleged to have violated the work rules, or the acts provided in the section pertaining to Conduct and Behavior.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The company's Compliance Officer is tasked, under the Manual on Corporate Governance, with ensuring that the board of directors, management and employees of the company shall adhere to corporate principles and best practices. He is thus responsible for monitoring compliance with the Corporate Code of Conduct which sets the principles and guidelines in the conduct of the company's businesses and dealings with stakeholders. The Compliance Officer reports directly to the Chairman of the board of directors.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Under the Audit Committee Charter, specifically Section G on Financial Reporting and Disclosures, the audit committee is required to review any unusual or complex transactions and the accuracy of disclosures of material information, including subsequent events and related party transactions. The committee, which is composed of 3 board members including 2 independent directors, 1 of whom shall be the chairman of the committee, has the authority to conduct or authorize an investigation into any matter within its scope of responsibility. In this regard it is empowered to retain external counsel, accountants or other consultants to advise the committee or assist in the conduct of the investigation.

The Manual on Corporate Governance, in particular Item 13 on Disclosure and Transparency, provides that it is essential that all material information about the Corporation which could adversely affect its viability or the interests of its stockholders as a whole be publicly and timely disclosed. Such information should include, among others, related party transactions. Such information should be disclosed through the appropriate exchange mechanisms and submissions to the SEC. Related party transactions are duly reported and disclosed in Item 5 of the Information Statement as well as Note 19 of the Audited Consolidated Financial Statements. The financial statements are attached to the Information Statement and Annual Report on SEC Form 17-A.

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

There is no actual or probable conflict of interest which the company's directors/officers/5% or more shareholders may be involved in.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	None

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

Under the Audit Committee Charter, specifically Section G on Financial Reporting and Disclosures, the audit committee is required to review any unusual or complex transactions and the accuracy of disclosures of material information, including subsequent events and related party transactions. The committee, which is composed of 3 board members including 2 independent directors, 1 of whom shall be the chairman of the committee, has the authority to conduct or authorize an investigation into any matter within its scope of responsibility. In this regard it is empowered to retain external counsel, accountants or other consultants to advise the committee or assist in the conduct of the investigation.

The Manual on Corporate Governance, in particular Item 13 on Disclosure and Transparency, provides that it is essential that all material information about the Corporation which could adversely affect its viability or the interests of its stockholders as a whole be publicly and timely disclosed. Such information should include, among others, related party transactions. Such information should be disclosed through the appropriate exchange mechanisms and submissions to the SEC. Related party transactions are duly reported and disclosed in Item 5 of the Information Statement as well as Note 19 of the Audited Consolidated Financial Statements. The financial statements are attached to the Information Statement and Annual Report on SEC Form 17-A.

With respect to conflict of interest between a director and the company, under the company's By-laws, a stockholder is disqualified from being a director if he is engaged in any business or activity which competes with or is antagonistic to that of the company or any of its subsidiaries and affiliates. Such person is deemed to be engaged in such business or activity: (a) if he is an officer, manager, or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any corporation (other than one in which the company owns at least 30% of the capital stock) engaged in a business or activity which the board, by at least 2/3 vote of the directors present constituting a quorum, determines to be competitive or antagonistic to that of the company or its subsidiaries and affiliates; or (b) if he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any corporation or entity engaged in any line of business of the company or that of its subsidiaries or affiliates, and if, in the judgment of the board, by at least 2/3 vote of the directors present constituting a quorum, the laws against combinations in restraint of trade shall be violated by such person's membership in the board of directors; or (c) if the board, in the exercise of its judgment in good faith, determines by at least 2/3 vote of the directors present constituting a quorum that he is the nominee of any person set forth in (a) or (b).

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

There is no individual holding a more than 5% equity stake in the company.

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None	-	-

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

There is no individual holding a more than 5% equity stake in the company. The company's parent, First Philippine Holdings Corp. (FPH), holds a majority stake in the company.

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None	-	-

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

There are no shareholder agreements that may impact the control, ownership and strategic direction of the company.

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None	-	-

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Pursuant to Section 3.2.2(k) of the company's Manual on Corporate Governance, the board of directors may, as it deems proper, establish and maintain an alternative dispute resolution system in the company to allow for the amicable settlement of conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties. For conflicts or differences between the Corporation and third parties, their respective contractual arrangements provide for the specific dispute resolution process, which may include mutual discussions, consultations, conciliation, mediation and arbitration both domestic and international, in accordance with applicable law.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Regular meetings of the board of directors are scheduled at the beginning of the year. As may be necessary, special meetings of the board are called by the President or by written request of majority of the directors.

2) Attendance of Directors

For the year 2014, the board of directors of First Gen Corporation held meetings on the following dates:

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

Date of Meeting	Type of Meeting
February 27	Regular
March 19	Special
May 12	Organizational
June 16	Regular
July 28	Regular
October 1	Regular
November 13	Regular

Board	Name	Date of Election	No. of Meetings Held in 2014	No. of Meetings Attended	%
Chairman	Federico R. Lopez	May 12, 2014	7	7	100%
Member	Oscar M. Lopez	May 12, 2014	7	7	100%
Member	Francis Giles B. Puno	May 12, 2014	7	7	100%
Member	Richard B. Tantoco	May 12, 2014	7	5	70%
Member	Peter D. Garrucho Jr.	May 12, 2014	7	7	100%
Member	Elpidio L. Ibañez	May 12, 2014	7	7	100%
Member	Eugenio L. Lopez	May 12, 2014	7	5	70%
Independent	Tony Tan Caktiong	May 12, 2014	7	4	60%
Independent	Jaime I. Ayala	May 12, 2014	7	7	100%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

No. Majority of the directors (6 out of 9) are non-executive directors, and each of them is free to express his opinion on any matter brought before the board during regular and special meetings. Active discussion during board meetings is highly encouraged, and the opinions of non-executive and independent directors are widely solicited. There is thus no need to call such a separate meeting.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

No, there is no 2/3 quorum requirement. A majority of the board (5 out of 9) shall constitute a quorum for the transaction of business, and every decision of a majority of the quorum shall be valid as a corporate act.

5) Access to Information

(a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

The agenda of the meeting is provided to the members of the board at least 10 business days before the day of the meeting. The details of the matters to be taken up during the meeting are provided on the day of the meeting.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes, each director has independent access to any member of management and the Corporate Secretary. Directors may contact the Corporate Secretary via e-mail or telephone.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The Corporate Secretary, who should be a Filipino citizen and resident of the Philippines, shall assist in the preparation of the agenda of meetings and gathering of materials to be presented to the board of directors

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

and shareholders. Further, the Corporate Secretary should be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the board; be loyal to the mission, vision and objectives of the Corporation; work fairly and objectively with the board, management and stockholders; have appropriate administrative and interpersonal skills; if she is not at the same time the Corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of her duties and responsibilities; have a working knowledge of the operations of the Corporation; inform the members of the board, in accordance with the By-Laws, of the agenda of their meetings and ensure that the directors have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval; issue a certification on or before January 30 of each year on the directors' record of attendance in board meetings for the immediately preceding year, which certification shall be countersigned by the Chairman; attend all board meetings, except when justifiable causes such as illness, death in the immediate family, and serious accidents, prevent her from doing so; and ensure that all board procedures, rules and regulations are strictly followed by the directors.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

The Corporate Secretary is a member of the Philippine bar who has attended trainings and seminars in legal updates, disclosure guidelines, corporate governance, and other relevant skills and topics.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [/] No [ ]

Committee	Details of the procedures
Executive	Each member of the Executive Committee has direct access to management as well as any officer or employee of the company. The committee can directly consult and confer with management and company employees to request or direct the preparation of documents and information necessary or in connection with any matter that is of concern to the committee.
Audit	Members of the Audit Committee are directly provided materials and reports by the company's external auditors and Internal Audit Group. In turn, the members of the Audit Committee can directly consult and confer with the company's external auditors and Internal Audit Group to ask questions and request documents pertaining to any matter that is of interest to the Audit Committee. They may also request information, data and clarification from any officer of the Corporation in the performance of their duties and responsibilities.
Nomination and Governance	The Corporate Secretary provides the members of the Nomination and Governance Committee the resumes of each person nominated for appointment to a position requiring board approval. Each committee member may directly request additional information or documents from the Corporate Secretary or any officer or employee of the Corporation relating to any matter that is of interest to the committee.
Compensation and Remuneration	Members of the Compensation and Remuneration Committee can directly consult and confer with any member of management or employee of the Corporation to ask questions and request reports and other documents relating to any issue that is of interest to the committee.
Risk Management Committee	Members of the Risk Management Committee can directly confer and consult with any member of the company's Risk Management Group or any member of management of the company to ask questions or request documents and other reports relating to the strategic risks which have been identified by the committee.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
The members of the Audit Committee can directly obtain external advice.	Under The Audit Committee Charter, the committee has the authority to conduct or authorize an investigation into any matter within the scope of its responsibility. In this regard, it is empowered to retain external counsel, accountants or other consultants to advise the committee or assist in the conduct of an investigation. Further, each member of the committee may directly confer and consult with external auditors as he deems necessary. During meetings of the Audit Committee which are attended by external auditors, each committee member has the opportunity to directly consult external auditors for any matter. If they so choose, the members of the Audit Committee may also course such requests for advice through management or the Internal Audit Group.
The members of the board can directly confer and consult with external advisors.	The board of directors approves appointments of external advisors (financial, legal, etc.) for a specific project or undertaking. As they are aware of such appointments, including the specific persons performing duties under such appointments, the directors have the ability to directly confer and consult with such advisors, or they may course such requests through management.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

During its most recent term, the board of directors did not introduce any changes to existing policies which would have an effect on the business of the company. The board, however, approved the amendment to the company's Manual on Corporate Governance in July 2014 in compliance with SEC Memorandum Circular No. 9 (Series of 2014).

Existing Policies	Changes	Reason
None	-	-

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Fixed remuneration is benchmarked with that of other CEOs based on published compensation reports and is reviewed annually.	Fixed remuneration is benchmarked with that of other officers in a similar role based on published compensation reports and is reviewed annually.
(2) Variable remuneration	n/a	n/a
(3) Per diem allowance	n/a	n/a
(4) Bonus	Bonuses to all officers and employees, including the CEO, are based on their monthly salaries and are granted based on the company's performance for a given	Bonuses to all officers and employees, including the CEO, are based on their monthly salaries and are granted based on the company's performance for a given year as well

	year as well as their individual performance.	as their individual performance.
(5) Stock Options	The company's Executive Stock Option Plan expired on July 1, 2013.	The company's Executive Stock Option Plan expired on July 1, 2013.
(6) Others (specify)	n/a	n/a

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Under the company's By-laws, directors do not receive any stated salary for their services, but per diems in the amount determined by the board of directors may be allowed for attendance at each meeting. In May 2010, the stockholders passed a resolution fixing the annual compensation of the board of directors at an amount not to exceed ¾ of 1% of the company's net income before income tax for the preceding year.	The directors receive: (i) a standard per diem for attendance at each board meeting; and (ii) bonuses.	As benchmarked, the directors currently receive a standard per diem of Fifty Thousand Pesos (PHP 50,000.00), while bonuses for the board of directors are set at a maximum of ¾ of 1% of the company's net income before income tax for the preceding year.
Non-Executive Directors	- same -	- same -	-same-

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
In May 2010 the stockholders passed a resolution fixing the annual compensation of the board of directors at an amount not to exceed ¾ of 1% of the company's net income before income tax for the preceding year	May 12, 2010

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued in 2013:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	n/a	n/a	n/a
(b) Variable Remuneration	n/a	n/a	n/a
(c) Per diem Allowance	₱ 1,117647.07	₱ 1,352,941.19	₱ 764,705.89
(d) Bonuses	₱ 17,647,058.82	₱ 23,529,411.76	₱ 11,764,705.88

(e) Stock Options and/or other financial instruments	n/a	n/a	n/a
(f) Others (Specify)	n/a	n/a	n/a
Total	₱ 18,764,705.89	₱ 24,882,352.95	₱ 12,529,411.77

Other Benefits	**Executive Directors**	**Non-Executive Director (other than independent directors)**	**Independent Directors**
1) Advances	n/a	n/a	n/a
2) Credit granted	n/a	n/a	n/a
3) Pension Plan/s Contributions	n/a	n/a	n/a
(d) Pension Plans, Obligations incurred	n/a	n/a	n/a
(e) Life Insurance Premium	n/a	n/a	n/a
(f) Hospitalization Plan	n/a	n/a	n/a
(g) Car Plan	n/a	n/a	n/a
(h) Others (Specify)	n/a	n/a	n/a
Total	n/a	n/a	n/a

(d) Stock Rights, Options and Warrants

Under the Corporation's Executive Stock Option Plan ("ESOP"), senior managers and executives of the Corporation, senior managers and executives of companies of which more than 30% of the voting stock is effectively owned, directly or indirectly and legally or beneficially, by the Corporation, senior managers and executives of such other companies in which the Corporation owns shares as may be determined by the board of directors, and directors, officers or employees of FPH and its affiliates, who are nominated and awarded as such, may acquire the Corporation's common shares.

There has only been one (1) option grant date (July 1, 2003) pursuant to the ESOP. Options awarded under this option grant date are no longer exercisable following the Option Expiration Date on July 1, 2013.

The following table sets out the persons to whom options have been granted pursuant to the ESOP and the number of shares relating to each such person as of the Option Expiration Date:

Name and Position	**Date of Grant**	**Total Options Granted**	**Vested and Unexercised (Forfeited)**	**Unvested**	**Exercise Price/ Share**	**Average Market Price/Share** *(from Listing Date to Option Expiration Date)*
Federico R. Lopez Chairman and CEO						
Francis Giles B. Puno President and COO						
Richard B. Tantoco Executive Vice President						
Jonathan Russell Executive Vice President						
Victor B. Santos Jr. SVP and Compliance Officer						

Aggregate number of shares granted to the above-named officers	July 1, '03	4,923,072	–	–	₱8.80	₱14.07
Aggregate number of shares granted to all officers and directors as a group unnamed	July 1, '03	18,028,336	893,366	–	₱8.80	₱14.07

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

As of the expiration date of the company's ESOP on July 1, 2013, there are no outstanding options owned by the company's directors.

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
None				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Apart from the company's ESOP which expired on July 1, 2013, the company has no other incentive program.

Incentive Program	Amendments	Date of Stockholders' Approval
None		

(e) Remuneration of Management

Identify the five (5) members of management who are <u>not</u> at the same time executive directors and indicate the total remuneration received in 2013:

Name of Officer/Position	Total Remuneration
Executive Vice President	P 174, 031,864.36
Senior Vice President	
Senior Vice President	
Senior Vice President	
Senior Vice President	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Indp. Director (ID)				
Executive	3	0	0	Article II Section 8 of the company's By-Laws provides for the creation, membership, formalities and procedures for holding the meeting of an Executive Committee.	Pursuant to Article II Section 8 of the company's By-Laws, between the regular or special meetings of the board, the Executive Committee shall possess and may exercise all the powers of the board in the management and direction of the affairs of the company in all cases in which specific direction shall not have been given by the board of directors.	The Executive Committee is responsible for ensuring the continuity of the business and operations of the company by providing the necessary leadership and guidance during instances when the board is unable to provide the same.	Pursuant to Article II Section 8 of the company's By-Laws, the Executive Committee may exercise the powers of the board in the management and direction of the affairs of the Corporation in all cases in which specific direction shall not have been given by the board. The ExCom is likewise authorized to adopt its own rules of procedure.
Audit	0	2 *On May 8, 2013, the directors voted to increase the membership of the committee by appointing Director Garrucho as the 4th member of the committee.	2	The Audit Committee Charter	The Audit Committee shall assist the board of directors in fulfilling its oversight responsibilities for financial reporting, internal control systems, internal audit activities, compliance with key regulatory requirements, and enforcement of the Corporate Code of Conduct.	The members of the committee shall provide input and perspective on the company's management of credit, market, liquidity, operational, legal and other risks; monitor and evaluate the adequacy and effectiveness of the company's internal control system, including financial reporting control and information technology security; perform interface functions with the internal and external auditors; receive and review reports of internal and	The board of directors has granted the committee broad powers as provided in The Audit Committee Charter .

						external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions to address regulatory issues; review and approve the internal audit plan including audit scope and frequency, and all major changes thereto; and review and confirm the independence of the internal audit by obtaining statements of independence and objectivity from the internal auditors. The Audit Committee shall check all financial reports of the company against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements. The committee shall review financial statements and disclosures, as well as any unusual or complex transactions. It shall also recommend, for approval during the annual general meeting, the appointment or reappointment of external auditors for the company. It shall regularly review	

						and assess external auditor's fees and ensure that the fees charged shall be commensurate with its reputation, level of expertise and required scope of work, and shall be in accordance with current industry standards. The Audit Committee shall discuss with the external auditor the nature and scope, including possible coordination of audit work with internal audit or other audit firms, to secure proper coverage and minimize duplication of efforts. It shall review whether the external auditor conducts its activities and engagements for and in the company in accordance with generally accepted auditing standards in the Philippines. The committee shall evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor. The committee shall disallow any non-audit work that will conflict with its duties as an external auditor or may pose a threat to its independence. The non-audit work, if allowed, shall be disclosed	

						in the company's annual report. The committee shall review and endorse for board approval the rotation of the external auditor's handling partner or the replacement of the external auditor itself as warranted, every five (5) years or earlier. The committee shall assist the board in resolving disagreements between the external auditor and management. The committee shall ensure the existence of a working internal audit group, headed by a competent business manager, which shall identify audit issues, propose resolutions to these issues, and provide reasonable assurance that key organizational and procedural controls as promulgated by management are effective, appropriate, and enforced. The committee shall establish a direct reporting line of the internal audit group to the committee to prevent impediments in the conduct of internal audit activities and the conveyance/presentation of audit findings. The	

						internal audit group shall functionally report directly to the committee. The Audit Committee shall also concur in the appointment, dismissal, replacement or re-assignment of the internal audit head. The committee shall periodically review the internal audit charter and propose revisions thereto as may be applicable. The committee shall periodically review, with management and the internal audit group, the activities, staffing and organizational structure of the internal audit function. The committee shall conduct an annual self-assessment of its performance and effectiveness and recommend, if necessary, changes to The Audit Committee Charter. The committee shall periodically revisit and/or review its charter for the purpose of adapting changes hereto in accordance with the company's Manual on Corporate Governance and in keeping with new standards and emerging trends.	

Nomination and Governance	2	0	1	Nomination and Governance Committee Charter	The committee's principal function is to select directors and pass upon their qualifications as shall be consistent with the By-Laws and Manual on Corporate Governance. The committee makes sure that a board election will result in a mix of proficient directors, each of whom will be able to add value and bring prudent judgment to the board. It is also tasked to review the structure, size and composition of the board and make appropriate recommendations thereto. It shall likewise review with the board, on an annual basis or as may be needed, the appropriate skills, characteristics and training required by the directors.	The Nomination and Governance Committee is responsible for carrying out the following: review and evaluate the qualifications of persons nominated for positions that require board approval; assess the effectiveness of the board's processes and procedures in the election and replacement of directors; review the recommendations of the Compliance Officer in relation to the Manual on Corporate Governance, as well as other corporate governance rules and regulations; review, as may be necessary, the charters of all board committees and recommend any change to the board for its approval; and perform such other tasks or duties as may be requested or delegated by the board of directors.	The board of directors has granted the committee the authority and power as provided in The Nomination and Governance Committee Charter.
Compensation and Remuneration	1	1 *On May 8, 2013, the directors voted to amend the charter to delete the requirement that the Chairman of the board be the chairman of the committee. The directors proceeded to appoint Indp. Director	1	The Compensation and Remuneration Committee Charter	The committee has the principal function of studying and recommending an appropriate compensation and/or rewards system. It is tasked to review and determine the compensation and remuneration of corporate officers other than the Chairman.	The committee has the following duties and responsibilities: designate the amount of remuneration which shall be in a level sufficient to attract and retain directors and officers who are needed to run the Corporation successfully; review the Corporation's human resources development or	The board of directors has granted the committee such powers as provided in the Compensation and Remuneration Committee Charter.

		Tony Tan Caktiong as the chairman of the committee.				personnel handbook to strengthen provisions on conflict of interest, policies on salaries and benefits, and directives on promotion and career advancement; and such other tasks as may be delegated by the board of directors.	
Risk Management	1	2	1 *On May 8, 2013, the directors voted to increase the membership of the committee by appointing Indp. Director Jaime Ayala as the 4th member of the committee.	The Risk Mgt. Committee Charter	The Risk Management Committee shall assist the board of directors in its oversight responsibility over management's activities in managing risks involving physical, financial, operational, labor, legal, security, environmental, and other risks of the Corporation.	The committee serves as an important liaison to the board. Its specific duties and responsibilities are as follows: provide guidance to management through the establishment of the company's risk management philosophy and risk appetite; approve the company's risk management policy and processes and any revisions thereto; regularly assess the company's risk management activities; understand and set clear directions for the management of the Corporation's strategic and critical risks; provide the necessary support and resources to management in managing the risks to the company; and communicate to key stakeholders the status of strategic and critical risks.	The committee is empowered under its charter to recommend the review and/or change/s in the company's risk management policy as may be deemed appropriate; require periodic reports from management to confirm that the risk management system of the Corporation is operating correctly and consistently with its objectives, and execute such other authority which the board may delegate to the committee.

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held (Year 2014)	No. of Meetings Attended (Year 2014)	%	Length of Service in the Committee
Chairman	Federico R. Lopez	2008	22	22	100%	6 years
Member (ED)	Francis Giles B. Puno	2008		19	86%	6 years
	Richard B. Tantoco	2008		15	70%	6 years
Member (NED)	-					
Member (ID)	-					
Member	Ernesto B. Pantangco	2010	22	13	60%	4 years
	Jonathan C. Russell	2010	22	18	81%	4 years

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held (2014)	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Jaime I. Ayala	2013 (elected May 2013)	3	3	100%	1 year
Member (ED)	-	-	-	-	-	-
Member (NED)	Elpidio L. Ibañez	2005	3	3	100%	9 years
	Peter D. Garrucho Jr.	2013 (elected May 2013)	3	3	100%	1 years
Member (ID)	Tony Tan Caktiong	2005	3	2	70%	9 years
Member	-	-	-	-	-	-

Disclose the profile or qualifications of the Audit Committee members.

Jaime I. Ayala was elected Independent Director of the company May 8, 2013, and is the current Chairman of the Audit Committee. He is the Founder and CEO of Hybrid Social Solutions, a social enterprise focused on empowering rural villages through solar energy. He was recognized as 2013 Schwab Foundation Social Entrepreneur of the Year and 2012 Ernst & Young Entrepreneur of the Year Philippines. Mr. Ayala was President and CEO of publicly-listed Ayala Land, Inc. and Senior Managing Director of Ayala Corporation. Prior to joining Ayala Corporation, he was a director (global senior partner) at McKinsey & Company, where he played a number of global and regional leadership roles, including head of the firm's Asian Energy Practice, and President of McKinsey's Manila office. Mr. Ayala sits as a trustee in the Princeton University Board of Trustees, Stiftung Solarenergie - Solar Energy Foundation, and the Philippine Tropical Forest Conservation Foundation. Mr. Ayala earned his master's degree in Business Administration from Harvard Business School (1988) where he graduated with honors, and completed his undergraduate work at Princeton University (1984) where he graduated *magna cum laude* in Economics.

Elpidio L. Ibañez is President and Chief Operating Officer of First Philippine Holdings Corp. and sits in the boards of various subsidiaries and affiliates of the company. Mr. Ibañez obtained a Master's degree in Business Administration from the University of the Philippines (1975) and a Bachelor of Arts degree major in Economics from Ateneo de Manila University (1972).

Tony Tan Caktiong was first elected Independent Director of the company in April 2005. He is the Chairman and CEO of publicly-listed Jollibee Foods Corporation. He is a director of publicly-listed Philippine Long Distance Telephone Company, and is at the helm of Chowking, Greenwich, Red Ribbon Bakeshop, Mang Inasal in the Philippines, and Yonghe King and Hong Zhuang Yuan in China. He is a member of the board of trustees of the Asian Institute of Management, St. Luke's Medical Hospital, Philippine Business for Education, and the Temasek Foundation of Singapore. He is an Agora Awardee for Outstanding Marketing Achievement, Triple A Alumni Awardee of the Asian Institute of Management, TOYM Awardee for Entrepreneurship, and a recipient of the World Entrepreneur of the Year award in 2004. Mr. Caktiong has a Bachelor of Science degree in Chemical Engineering from the University of Santo Tomas (1975) and has management tutoring certifications from Harvard University, Asian Institute of Management, University of Michigan Business School, and Harvard Business School.

Peter D. Garrucho Jr. is the newest member of the Audit Committee, following the board's decision on May 8, 2013 to increase the membership of the committee. He has been a member of the board since the company's incorporation in December 1998. He sits in the boards of FPH and EDC. Until his retirement in January 2008 as Managing Director for Energy of FPH, Mr. Garrucho held the positions of Vice Chairman and CEO of the company. Mr. Garrucho has an AB-BSBA degree from De La Salle University (1966) and a master's degree in Business Administration from Stanford University (1971).

Describe the Audit Committee's responsibility relative to the external auditor.

1. The Audit Committee shall recommend, for approval during the annual general meeting, the appointment or reappointment of external auditors for the company.
2. It shall regularly review and assess external auditor's fees and ensure that the fees charged shall be commensurate with its reputation, level of expertise and required scope of work, and shall be in accordance with current industry standards.
3. The committee shall discuss with the external auditor the nature and scope, including possible coordination of audit work with internal audit or other audit firms, to secure proper coverage and minimize duplication of efforts.
4. The committee shall review whether the external auditor conducts its activities and engagements for and in the company in accordance with generally accepted auditing standards in the Philippines.
5. The Audit Committee shall evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor. The committee shall disallow any non-audit work that will conflict with its duties as an external auditor or may pose a threat to its independence. The non-audit work, if allowed, shall be disclosed in the company's annual report.
6. The committee shall review and endorse for board approval the rotation of the external auditor's handling partner or the replacement of the external auditor itself as warranted, every 5 years or earlier.
7. It shall assist the board in understanding and resolving disagreements between the external auditor and management. Should the external auditor resign, be dismissed or cease to perform its services, such act shall be reported in the Corporation's annual and current reports stating the reason/s for and the date of effectivity of such action. The report shall include a discussion on any disagreement between the external auditor and management on accounting principles or practices, financial disclosures or audit procedures which were not resolved satisfactorily.

(c) Nomination and Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held (2014)	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Federico R. Lopez	2005	1	1	100%	9 years
Member (ED)	Richard B. Tantoco	2005	1	1	100%	9 years
Member (NED)						
Member (ID)	Tony Tan Caktiong	2005	1	1	100%	9 years
Member						

(d) Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held (2014)	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Tony Tan Caktiong (Independent Director)	2013 (elected on May 8, 2013)	n/a	-	-	1 year
Member (ED)	Federico R. Lopez	2010	n/a	-	-	4 years
Member (NED)	Peter D. Garrucho Jr.	2010	n/a	-	-	4 years
Member						

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held (2014)	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Peter D. Garrucho Jr.	2010	1	1	100%	4 years
Member (ED)	Francis Giles B. Puno	2010	1	1	100%	4 years
Member (NED)	Elpidio L. Ibañez	2010	1	1	100%	4 years
Member (ID)	Jaime I. Ayala	2013	1	1	100%	1 year

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

There were no changes in committee membership that occurred during the year 2013-2014.

During the Organizational Board Meeting held on May 8, 2013, the following changes in committee membership were implemented:

Name of Committee	Name	Reason
Executive	None	-
Audit	Independent Director Jaime I. Ayala (Chairman)	Took the place of former Independent Director and committee chairman Cezar P. Consing
	Director Peter D. Garrucho Jr.	Was made an additional member of the committee
Nomination and Governance	None	-
Compensation and Remuneration	Independent Director Tony Tan Caktiong (Chairman)	Took the place of Chairman/CEO Federico R. Lopez as committee chairman
Risk Management	Independent Director Jaime I. Ayala	Was made an additional member of the committee

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	The committee reviewed and studied various proposals of management prior to their submission to the board of directors for approval	The committee resolved and finalized various transactional issues prior to their presentation to the board of directors
Audit	• The Audit Committee assisted the board in fulfilling its oversight responsibilities for financial reporting, internal control systems, internal audit activities, compliance with key regulatory requirements, and enforcement of the company's Code of Conduct. It relied primarily on (1) the Finance and Accounting Group for financial reporting and key financial decisions/ transactions; (2) Internal Audit Group for internal control systems and internal audit tasks; and (3) Legal & Regulatory Group for compliance with statutory and other government requirements. • It recommended for approval the appointment or reappointment of external auditors for the company. It oversaw the work of the registered public auditing firm employed by the organization. It discussed with the external auditor the nature and scope of audit work to secure proper coverage. • It reviewed the quarterly, half-year and annual financial statements and reports and its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements before submission to the board • It reviewed and approved the internal audit plan that includes audit scope and frequency, and all major changes thereto • It successfully completed the self-assessment of its performance for the year 2013	The committee determined the level of compliance (qualitative and quantitative) of the Audit Committee Charter with the SEC Revised Code of Corporate Governance, as well as the extent of implementation of the provisions of the charter through its annual self-assessment.
Nomination and Governance	The committee reviewed the qualifications and determination of eligibility of persons nominated to positions requiring board approval	The committee ensured that each person appointed to a position requiring board approval possessed the qualifications and none of the disqualifications as provided in the By-laws and Manual on Corporate Governance
Risk Management	The committee identified/updated strategic risk exposures and identification of risk owners; review of risk management system and governance structure	Identification and management of current risks involving physical, financial, operational, labor, legal, security, environmental and other risks of the company

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Continue to assist management in drafting and finalizing particular transactions and projects by reviewing, prior to submission to the board of directors, proposals from management	Resolution and finalization of various transactional issues prior to presentation to the board of directors
Audit	Continuous monitoring and oversight of financial reporting, internal control systems, internal audit activities, compliance with key regulatory requirements, and enforcement of the Company's Code of Conduct • Conduct of annual self-assessment of Audit Committee performance • Monitor the actions taken by the Internal Audit Group to address the results of the Quality Assurance Review for the internal audit function.	Continuous monitoring of the level of compliance by the Audit Committee Charter with the SEC Revised Code of Corporate Governance to ensure full alignment with the Code
Nomination and Governance	Continue to ensure proper review of the qualifications of persons proposed to be appointed as officers of the Corporation where such appointment is subject to the approval of the board of directors..	Maintain the quality and level of competence of corporate officers to assure attainment of corporate objectives..
Compensation and Remuneration	Review and pass upon proposals or initiatives pertaining to compensation and rewards.	Ensure that compensation is consistent with the Corporation's culture, strategy, and the business environment in which it operates.
Risk Management	a. Strategic risk reviews b. Project risk reviews c. Capital adequacy review d. Business continuity management project e. Customer credit portfolio review f. Vendor accreditation system	a. Review and update list of strategic risks b. Project execution risks c. Funding and debt servicing risk d. Disaster preparedness and business recovery risk e. Customer payment default risk f. Vendor performance risk

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company

The Company believes that identification and management of the various risks to which the company is exposed to are vital to the success of its projects and programs. The company firmly believes that effective risk management will result in a good balance between risk and reward, which will augur well for the company and its stakeholders. As such, risk management is embedded in the company's strategic planning and project monitoring process.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof

Through the Risk Management Committee, the board of directors reviews the risk management's effectiveness and adequacy. The committee is tasked to: oversee the formulation, establishment and implementation of an Enterprise Risk Management (ERM) system; review and assess the company's ERM policy, processes, strategies, methods and activities, and recommend revisions thereto for the approval of the board of directors; understand and set clear directions for the management of the company's strategic and critical risks; and provide management the support and resources necessary to manage the risks to the

Corporation.

(c) Period covered by the review

On an annual basis, the RMC identifies the company's strategic risk exposures. Risk owners are identified to develop, implement and monitor the treatment options for each strategic risk. For the succeeding year, these strategic risks and the success of the treatment options are reviewed by the RMC, and the list is accordingly updated for the next period.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The risk management system and governance structure are reviewed on an annual basis. The RMC uses the following criteria in its assessment of the effectivity of the risk management system: market position of the company, compliance with applicable rules and regulations, quality of services provided to customers, levels of exposure to interest rates as well as credit exposures to its customers.

(e) Where no review was conducted during the year, an explanation why not.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Competition Risk	The company continues to expand its project portfolio, improve operations and upgrade its systems to be able to offer competitively priced products and services to the market	To strengthen or improve its market position, both in the local and international energy industry
Regulatory Risk	The company regularly monitors its exposures and compliance with laws and regulations to ensure the continuity of its operations	To comply with all applicable laws and regulations
Business Interruption Risk	The company continuously enhances its operations and support systems to reduce the likelihood of unscheduled interruptions and, in the case of actual interruptions, to reduce the impact to the company's financial performance	To ensure continuity of services to its customers
Interest Rate Risk	The company believes that prudent management of its interest cost will entail a balanced mix of fixed and variable rate	To manage the exposure to floating interest rates in a cost-efficient manner.
Foreign Currency Risk	The company monitors its exposures to foreign currency fluctuations and may consider entering into derivative transactions, as necessary	To manage the exposure to foreign currency exposures reducing
Credit Risk	The company trades only with recognized, reputable and creditworthy 3rd parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness	To manage the credit exposures with its customers and/or other 3rd parties

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Same as above		

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
While there are no existing provisions in the Corporation's Articles of Incorporation or By-laws which will delay, defer, or in any manner prevent a change in control of the company, First Philippine Holdings Corp. (FPH) is the sole holder of the company's Series "B" and "E" preferred shares. These preferred shares are entitled to full voting rights under the company's Articles of Incorporation. The Series "B" and "E" preferred shares can only be transferred to Philippine citizens or corporations are least 60% of the outstanding equity capital is beneficially owned by Philippine citizens and which, in either case, is not in competition with FPH or any of its affiliates.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Competition Risk	Annual risk identification, evaluation, and monitoring	• Competitively-priced power • Value-added services • Reliability of power plants
Regulatory Risk	Annual risk identification, evaluation, and monitoring	• Regular monitoring of changes or updates to relevant laws and regulations • Close monitoring of the company's compliance with applicable laws and regulations • Close coordination with regulatory agencies
Business Interruption Risk	Annual risk identification, evaluation, and monitoring	• Regular monitoring of operations • Regular repair and maintenance of key equipment, systems and processes • Regular review, revision and practice of Business Continuity Management plans
Interest Rate Risk	Annual risk identification, evaluation, and monitoring	• Regular monitoring of the interest rates • Identify, assess and enter into interest hedging, whenever necessary
Foreign Currency Risk	Annual risk identification, evaluation, and monitoring	• Regular monitoring of foreign currency rates • Identify, assess and enter into derivative transactions, when necessary
Credit Risk	Annual risk identification, evaluation, and monitoring	• Regular review and analysis of customer financial and credit performances • Close coordination with customers to discuss emerging risks

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
same as above		

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Risk Management Committee	Providing oversight, guidance, support and resources to management in its monitoring of risk management activities	The committee plays a vital oversight role and serves as an important liaison to the board of directors. Its specific duties and responsibilities are as follows: provides guidance to management through the establishment of the company's risk management philosophy and risk appetite; approves the company's risk management policy and processes and any revisions thereto; regularly assesses the company's risk management activities; understands and sets clear directions for the management of the company's strategic and critical risks; provides the necessary support and resources to management in managing the risks to the company; and communicates to key stakeholders the status of strategic and critical risks. Further, the committee is empowered to recommend the review and/or change in the company's risk management policy; require periodic reports from management to confirm that the risk management system of the company is operating correctly and consistently with its objectives; and execute such other authority which the board may delegate to the committee.
Key company executives	Implementing and monitoring risk management activities	Key executives of the company are identified risk owners of strategic risks. As such, they are given the responsibility and authority to develop, implement and monitor risk treatment options for the assigned strategic risks. These risk owners are likewise tasked to regularly update the Risk Management Committee.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;
(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
(c) Period covered by the review;
(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
(e) Where no review was conducted during the year, an explanation why not.

The Corporation's Manual on Corporate Governance provides that the minimum internal control mechanisms for management's operational responsibility centers on the Chief Executive Officer, he being ultimately accountable for the Corporation's organizational and procedural controls. Management formulates, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

a. The extent of its responsibility in the preparation of the financial statements of the company, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
b. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the company should be maintained;
c. On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the company's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations; and
d. The company should consistently comply with the financial reporting requirements of the SEC.

The board of directors, through the Audit Committee, monitors and evaluates the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security.

Internal Audit is accountable to senior management and the Audit Committee to provide annually an assessment of the adequacy and effectiveness of the organization's internal control and risk management, as appropriate, in the functional areas and operational processes identified in the audit plan. In evaluating internal control, the Internal Audit group is guided by the definition of internal control as defined by the COSO Internal Control-Integrated Framework to be the process effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in: a) effectiveness and efficiency of operations; b) reliability of financial reporting; and c) compliance with laws and regulations.

A statement as to the adequacy and effectiveness of internal control, as appropriate, is provided to the Audit Committee through the audit reports on the functional areas and operational processes being reviewed by the Internal Audit for the year. A mid-year report was presented to the Audit Committee in 2014, which contained the status of audit resources and audit engagements and the corresponding significant audit findings. An Internal Control Baseline Assessment was conducted as of April 2013 to assess the general design and operation of the five components of internal control in the organization. The results of the assessment showed that the key internal controls are generally very strong with the existence of effective and efficient internal control mechanisms in the organization's control environment, risk assessment, information and communication, control activities, and monitoring activities, as evidenced by document review, previous assessment/review, and test of controls. Opportunities for further improvement were also identified in a number of areas for management's consideration.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
The mission of the Internal Audit group is to provide independent, objective assurance and consulting services designed to add value to and improve the organization's operations. It assists the organization achieve its objectives by bringing a systematic, disciplined approach to evaluate the effectiveness of governance, risk management and control processes.	The primary work is to determine whether the organization's network of governance, risk management, and control process, as designed and implemented by management, is adequate and functioning in a manner that ensures that: risks are appropriately identified and managed; significant financial, managerial and operating information are accurate, reliable and timely; employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations; resources are acquired economically, used efficiently, and protected adequately; significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately; and interaction with various governance groups is pursued as necessary.	In-house	A fully staffed and functional working internal audit group is being handled by Internal Audit Head Ma. Theresa M. Villanueva, whose appointment was confirmed by the board of directors in November 2013.	Members of the Internal Audit group report to the Internal Audit officer who reports functionally to the Audit Committee and administratively to senior management. The Internal Audit group issues periodic reports to the Audit Committee and management, updating and summarizing results of audit activities.

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

The Audit Committee ensures the existence of a working internal audit group, which is headed by a competent business manager, to identify audit issues, propose resolutions to these issues, and provide reasonable assurance that key organizational and procedural controls as promulgated by Management are effective, appropriate and enforced. The Committee concurs in the appointment, dismissal, replacement or re-assignment of the internal audit head.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Audit Committee establishes a direct reporting line of the Internal Audit group to the committee to prevent impediments in the conduct of internal audit activities and the conveyance/ presentation of audit findings. The Internal Audit group functionally reports directly to the Audit Committee.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Sharlene R. Jimenez (2013)	To pursue other interests
None (2014)	-

(e) Progress against Plans, Issues, Findings and Examination Trends
State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Ten (10) engagement activities (audit and consulting) were conducted in 2014. Seven (7) of them were completed in 2014 and three (3) are to be completed in January 2015. Continuous improvements in the audit process were carried out specifically the audit rating system and standardized working papers for the audit engagements.
Issues[6]	Significant issues are reported by the Internal Audit to the Audit Committee by providing them both sides of issues in cases where varying interpretations have been adopted by the internal auditor and the auditee. As part of the internal auditor's discussion with the auditee, the internal auditor comes to an agreement on the results of the engagement and on any necessary plan of action to improve operations. If the internal auditor and the auditee disagree on the results, the audit report shall state the differing positions and the reasons for such disagreement. The auditees' written comments may be made part of and attached to the audit report.
Findings[7]	The results of an audit engagement are communicated to the Audit Committee through a summary of the significant audit findings from an engagement, which include a detailed report on the internal auditor's opinions and/or conclusions, audit findings noted during the review, and the corresponding recommendations and auditees' action plans. The Audit Committee members respond with their comments accordingly.
Examination Trends	Internal Audit established a monitoring procedure that ensures that the summary of significant audit findings, issues and examinations trends noted from the engagement during the year, and the management's resolutions to address such findings are reported to the Audit Committee. Internal Audit likewise conducts

[6] "Issues" are compliance matters that arise from adopting different interpretations.
[7] "Findings" are those with concrete basis under the company's policies and rules.

	follow-up activities to monitor and ensure that management actions have been effectively implemented or that management has accepted the risk of not taking action.

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Internal Audit Charter	The Internal Audit Charter contains the purpose, authority and responsibility of the internal audit activity. There are no restrictions to the scope, resources and access of the internal audit activity and the structure is in alignment with the corporate structure.
Internal Audit Policies and Procedures	A policy and procedure has been established for the Internal Audit process which consists of 2 major processes and several sub-processes under each major process category.
Planning and Managing Internal Audit	Planning and managing internal audit is the first major process which covers managing and planning internal audit activities, communication and approval, resource management, coordination and reporting to senior management and the board. The 2014 annual audit plan was established and the progress of actual activity against the plan was reported to senior management, including significant amendments and available resources. A summary of significant audit findings was also reported and presented to the Audit Committee.
Internal Audit Engagement	The procedures for conducting internal audit engagements were established. These included planning the engagement, performing the engagement, communicating the results, and monitoring the progress of audit findings. These are documented in a working paper file for each engagement.

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
A Statement of Independence and Objectivity is submitted annually by each internal audit personnel for transparency and to address any potential	The company has established a Corporate Code of Conduct which sets the principles and guidelines in the conduct of its businesses and dealings with its	For specific transactions, the company, through its board of directors as recommended by management, engages only those investment banks which are of	For specific transactions, the company, through its board of directors as recommended by management, engages only those rating agencies which are of proven

and existing conflict of interest and/or any impairment in fact or in appearance in his/her performance of duties and responsibilities. For the external auditors, the Audit Committee evaluates and determines the non-audit work, if any, of the external auditor. The committee undertakes a periodic review of the non-audit fees paid to the external auditor, and shall disallow any non-audit work that will conflict with its duties as an external auditor or may pose a threat to its independence. Any non-audit work is duly disclosed in the company's annual report.	stakeholders. The code covers directors, officers, employees, consultants, product and service providers, and any and all persons acting for and on behalf of the company. In the conduct of its business, the company shall be guided by the following values and principles: a pioneering entrepreneurial spirit, business excellence, unity, nationalism, social justice, integrity, and employee welfare and wellness. The code thus helps ensure that the company and all those who represent it act in a manner that will not jeopardize the independence and integrity of financial analysts. Further, the company's board of directors, management and employees are all committed to the principles and best practices as contained in the company's Manual on Corporate Governance. The Compliance Officer monitors compliance by the company with the provisions of the manual, as well as rules and regulations of regulatory agencies. Further, the board of directors ensures that the company complies with all relevant laws, regulations, and best business practices. With these safeguards in place, the company helps ensure the independence and integrity of financial analysts.	proven competence, integrity and independence. Further, in conducting its business with the said investment banks, the company is duty-bound to comply with the provisions of the Corporate Code of Conduct and Manual on Corporate Governance. As such, the company's board of directors, officers, employees, consultants, product and service providers, and any and all persons acting for and on behalf of the company, are committed to grow the business and enhance shareholder value by, among others, valuing relationships with partners and demonstrating this through good governance, transparency and professionalism. With these safeguards in place, the company is assured of the independence and integrity of its partner-investment banks.	competence, integrity and independence. Further, in conducting its business with the said rating agencies, the company is duty-bound to comply with the provisions of the Corporate Code of Conduct and Manual on Corporate Governance. As such, the company's board of directors, officers, employees, consultants, product and service providers, and any and all persons acting for and on behalf of the company, are committed to grow the business and enhance shareholder value by, among others, valuing relationships with partners and demonstrating this through good governance, transparency and professionalism. With these safeguards in place, the company is assured of the independence and integrity of its partner-rating agencies.

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Under the Manual on Corporate Governance, the Compliance Officer shall issue a certification once a year (this has been discontinued pursuant to SEC Memorandum Circular No. 5, Series of 2013) on the extent of the company's compliance with the Manual on Corporate Governance for the immediately preceding year and, if any deviations are found, explain the reasons for such deviations.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Under the Corporate Code of Conduct, the company is committed to be the preferred provider of energy services. In performing its role as the preferred provider, the company continues to acquire, develop, finance, operate, and maintain its investments with the single-minded focus on delivering superior services to its customers.	The company, through its affiliates, provides value-adding services to its customers which are designed to (i) improve the reliability of supply of electricity to its customers and improve their operations, informing them of the latest technology and equipment; and (ii) assist them in capability building programs through training seminars, workshops, and the sharing of expertise and knowledge relative to the power industry.
Supplier/contractor selection practice	Under the Corporate Code of Conduct, the company aims to be the preferred partner in nation-building and community development. The company is committed to the fulfillment of its social, ethical, environmental and economic responsibilities. The company considers its suppliers as its partners, and values its relationships with them and demonstrates this through good governance, transparency and professionalism.	The Company is geared towards centralized Vendor Accreditation. A unified policy which contains guidelines and procedures on Vendor Accreditation has been finalized and shall be applied across First Gen Corporation and all its related companies. In order to protect the interest of the Company, its stakeholders and affected communities and industries, vendors shall be evaluated based on specific criteria. The criteria include the legitimacy of the business, the financial capacity, management quality, corporate governance, QESH practices, credit and trade performance. These criteria shall be scored through a Counterparty Risk Rating System to determine the degree of risk the Company is exposed in its Vendor Portfolio. All in all, the Company, through its centralized Vendor Accreditation process, aims to deal with reliable; efficient; moral and law-compliant; socially, economically and environmentally-concerned entities.
Environmentally friendly value-chain	Under the Corporate Code of Conduct, the company aims to be the preferred partner in nation-building and community development. The company is committed to the fulfillment of its social, ethical, environmental and economic responsibilities.	<u>OML Center for Climate Change Adaption and Risk Management and Disaster Risk Management Foundations Inc.</u> In August 2012, the company established the Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management Foundations, Inc. or OML Center. For 2013, the company supported the OML Center's efforts in building climate resilient communities, focusing on the following: (i) enabling solution deployment and national/local government liaison, (ii) awarding of research grants, (iii) conducting in-house research and scientific activities, (iv) recognizing

		scientists' achievements, and (v) building network and raising awareness. In the wake of typhoon Yolanda, the OML Center strengthened its work in providing national and local government agencies and local communities, scientific information on climate change mitigation and risk adaptation, which are vital to restoring settlements, facilities, and livelihood, and rebuilding ecosystems in typhoon-affected areas. Project Center of Center Also in 2012, the company continued its role as direct implementer of the Project Center of Center, which is an integrated program created in coordination with Conservation International Philippines and the provincial government of Batangas, for the purpose of saving the fragile marine ecosystem of the Verde Island Passage. The Project was expanded to include four additional marine protected areas from the original 5 marine protected areas in 2012. Ecological Summits The company also participated in the Ecological Summits headed by the Archdiocese of Lipa, Batangas. Monthly coastal clean-ups are also conducted along the First Gas shoreline. In partnership with the Diliman Science Research Foundation and the Makiling Center for Mountain Ecosystem, the company committed to the study entitled "Biodiversity Resource Assessment, Monitoring and Evaluation of Mt. Makiling Sub-Watersheds for Adaptive Management", which aims to monitor the biodiversity in Mt Makiling Forest Reserve – an ASEAN Heritage Park. Biodiversity Study Finally, in collaboration with the University of the Philippines – Institute of Biology and the Diliman Science Research Foundation, the company continues to monitor the biodiversity study within the Pantabangan watershed. Reforestation – BIINHI Program The company also reforested 50 hectares of the watershed with indigenous tree species under the BINHI Program.

Community interaction	Under the Corporate Code of Conduct, as part of efforts to help develop and improve the quality of life of residents in the host communities and promote their level of self-reliance, the company continues to pursue and implement corporate social responsibility and community relations projects in partnership with local government units and other local stakeholders, with particular focus on education, community, health and safety, poverty alleviation, and environment. The company remains partners with non-governmental organizations whose objectives and activities are aligned with its goals and aspirations.	Education – free review classes, training for teachers, in-school feeding program and distribution of school and teaching supplies in host communities. Health – medical, dental and optical missions, free drinking water system, ambulances for Batangas communities and community clinic. Environment – Oscar M. Lopez Center, Project Center of the Center, monthly coastal clean-ups, Awards, release of a coffee table book entitled "Generations", biodiversity study in Pantabangan watershed and Mt. Makiling Forest Reserve and planting of indigenous tree species under the BINHI Program Poverty Alleviation – skills training projects, livelihood support for cooperative, support for community electrification projects in host communities. Employee Volunteerism – various activities under the Employee Power (EmPower) Program focusing on urban poor children, abandoned elderly, scholarship for the youth and disaster relief and rehabilitation,
Anti-corruption programmes and procedures?	Under the Corporate Code of Conduct, the company recognizes the authority of the government. The company abides by their rules, orders and decisions and strives to support activities which are aligned with the company's aspirations to fulfill its responsibilities as corporate citizens and members of society. Further, the company aims to be the preferred partner in nation-building and community development.	The Manual on Corporate Governance provides that the Compliance Officer shall monitor compliance by the company with the provisions of the manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the board of directors and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent a repetition of the violation.
Safeguarding creditors' rights	Under the Corporate Code of Conduct, the company aims to be the preferred partner in nation-building and community development. The company is committed to the fulfillment of its social, ethical, environmental and economic responsibilities. The company considers its creditors as its partners, and values its relationships with them and demonstrates this through good governance, transparency and professionalism.	The company regularly holds lenders' updates and conducts roadshows, both local and international, to inform and update the lenders and investors about the company. Meetings with creditors are also regularly held, and a constant open line of communication is maintained. The company also periodically submits to its creditors reports on its financial and operating highlights, and responds to all their queries and concerns.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes. In the company's 2013 Annual Report[8], there is the following section on Corporate Social Responsibility

[8] Entitled, "Good Is Why We Power More Homes With Less Impact On The Environment"

(pages 29-33) entitled Corporate Social Responsibility:

CORPORATE SOCIAL RESPONSIBILITY

We inspire our people to be part of something good. At First Gen, we have a wide range of programs that benefit our host communities and the society. These programs focus on four core areas: environment, education, community health and safety, and poverty alleviation.

Environment

First Gen believes that caring for and protecting both its marine and terrestrial environment is integral to the sustained and long-term viability of its operations. First Gen continues to be a proponent of the Project Center of the Center (COC), a marine biodiversity conservation program that supports the Municipalities of Mabini, Tingloy, Lobo, and the Province of Batangas. Through the COC Project, these municipalities are provided with operational support for their marine law enforcement through the Bantay Dagat (sea watch). COC supports the protection of nine marine protected areas along the Verde Island Passage, considered to have the highest concentration of diverse marine species in the planet. The project also complements the efforts of the Province of Batangas in its marine biodiversity program through the BRAVO Awards or the Batangas Recognition Awards for Verde's Outstanding marine protected areas (MPAs). The BRAVO Awards recognizes and popularizes good governance practices and performance among local government units (LGUs) in designated MPAs. First Gas conducts a monthly coastal cleanup in partnership with residents of Barangays Santa Rita Aplaya, Santa Clara, and Danglayan San Pascual in the beachfront area of the First Gas compound.

First Gen, in partnership with the Makiling Center for Mountain Ecosystem (under the University of the Philippines Los Baños) and the Diliman Science Research Foundation, also supports the "Biodiversity Resource Assessment, Monitoring and Evaluation of Mt. Makiling Sub-Watersheds for Adaptive Management." The Mt. Makiling Forest Reserve was declared as an ASEAN Heritage Park in 2013. FG Hydro implements the BINHI Program of EDC for selected farmers' associations (FAs) in Pantabangan, Nueva Ecija. BINHI is the greening legacy program of EDC, which aims to establish 10,000 hectares of forests over a period of 10 years using prime endangered Philippine tree species. In 2013, employees planted 200 indigenous and premium tree species such as Apitong, Nato, Duguan, Igem, and Mangkono. FG Mindanao, on the other hand, planted 500 indigenous seedlings with the Banahaw United Farmers Association in Barangay Liboran, Baungon, Bukidnon.

Education

First Gen implements various education projects to improve the quality of education in host schools and make this accessible to the student populace. First Gas has tied up with the Batangas State University to implement the Teachers' Education for Students Thrust (TEST) program. Under TEST, teachers from Sta. Rita Aplaya and Sta. Rita Karsada elementary schools are completing a Master in Education course to enhance their proficiency. FG Hydro, on the other hand, installed Knowledge Channel, an educational television program, to Masiway Elementary School and Kalayaan Elementary School—in addition to the four schools provided in the previous years. FG Hydro also provides graduating elementary students in its four primary host schools with an education incentive for them to complete their primary education. A total of 117 students for SY 2012-2013 and 92 students for school year 2013- 2014 were provided with the incentive. Similarly, First Gen provided an education incentive for 52 children of volunteer Bantay Dagat from the Municipalities of Mabini and Tingloy, Batangas. To ensure that the students have adequate school supplies at the beginning of the school year, the First Gen subsidiaries distribute school supplies to its host schools. A total of 12,413 students were provided with schools supplies and 273 teachers were provided with teaching supplies in 2013. First Gas also conducts Preventive Dental Health Care for Grade 1 students of its host schools to reduce absenteeism. According to the Department of Education, nine out of 10 public school students suffer from tooth decay, the number one cause of absenteeism among students. Through these education programs, the results of the National Achievement Test of the primary host schools significantly increased.

Community Health and Safety

Vital to ensuring the access to education of the student population of the host communities in each subsidiary is ensuring that the students receive proper nutrition. First Gen conducts in-school feeding program for malnourished students in the host communities. A total of 578 malnourished children from six host schools were nourished through the "Gatas ay Biyaya at Yaman," milkfeeding program of First Gas and the Meal Feeding of FG Hydro in partnership with the Parents Teachers Association in each host school. First Gas provides the residents of its host communities Barangays Sta. Rita Aplaya and Sta. Rita Karsada with access to basic health care through the provision of a community

clinic, which has benefited 2,339 individuals in 2013. First Gas also conducts dental and optical missions to neighboring host barangays that benefited 5,889 individuals. Medical missions initiated by FG Hydro, FG Bukidnon, and FG Mindanao also reached far-flung host communities and served 5,813 residents who availed of free medical and dental services last year. FG Hydro also helped equip Barangay Health Workers (BHWs) in their host barangay with the necessary skills as primary health responders through proper training. First Gas and FG Hydro together with Asian Eye Institute remain partners in the joint Free Cataract Operation project, which benefited 15 elderly from host communities in 2013.

Poverty Alleviation

First Gas and FG Hydro offer skills training to qualified residents of the community to provide them with increased employment opportunity. First Gas provided 40 individuals with training on shielded metal arc, flux cord arc and gas tungsten arc welding training through the Tulong Upang Lumawak Angking Yaman (TULAY) Welding Training. Meanwhile, the top 10 women graduates of the Basic Cosmetology Training in 2012 were provided with Level 2 training, which includes Basic Reflexology and Therapeutic Massage and Basic Facial Massage through the "Ganda Mo, Hanapbuhay Ko" in partnership with Ang Hortaleza Foundation. First Gas has also assisted in the formation of the United Sta. Rita Cooperative (UNISCO) a joint cooperative of its two host communities. Through UNISCO, unskilled members of the cooperative are hired for maintenance work such as grass cutting, janitorial and pantry services. A total of 119 (89%) individuals (versus 133 individuals) of the total graduates of the skills training program now earn a living as skilled workers (welders, beauticians or small entrepreneurs) while 29 members of UNISCO were provided with employment. Four high school graduates from FG Hydro host communities have completed tourism (two students), metals and engineering (one student) and construction (one student) from the Kananga-EDC Institute of Technology (KEITECH). Another four students are still undergoing the training for tourism (two students), metals and engineering (one student) and pipefitting (one student).

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

It is the policy of the company to extend leave benefits with pay to its employees to enable them to take respite from pressures of work, to provide them with the opportunity to attend to personal matters and support their health and well-being.

The company recognizes the importance of keeping its employees in good health for them to perform efficiently and effectively in their respective work assignments. The company provides its employees with outpatient medical services benefits, medicine reimbursements, dental care services and optical benefits for the prevention, detection and treatment of sickness, diseases and injuries.

The company recognizes its responsibility to assist its employees in addressing their medical hospitalization needs. The company provides appropriate medical hospitalization benefits to its employees and, to a certain extent, their eligible dependents.

In line with the company's philosophy of providing for the well-being of its employees and their families, the company also makes available to its employees term life insurance coverage and accident insurance coverage under a group policy.

Below are the policies adopted by the company relating to the safety, health and welfare of its employees:

a. Vacation Leave
b. Sick Leave
c. Maternity Leave
d. Paternity leave
e. Solo Parent Leave
f. Group Medical Hospitalization and Post Confinement
g. Outpatient Medical Services
h. Dental Services
i. Optical Reimbursement
j. Drug Free Workplace Policy
k. Workplace Policy on HIV/AIDS

l. Other Special Leave Benefits – R.A.9710 Magna Carta for Women

The company makes a regular assessment of the impact of its projects and activities on environment, safety and health. It adopts effective mitigating measures using available and appropriate technologies. The company likewise seeks to improve the management of its environment, safety and health programs with the end view of reducing work-related illnesses / accidents, environmental emissions, effluents and wastes, and promoting the efficient use of energy, water and other resources. Further, as part of its new employee engagement program, the company regularly conducts orientations on its QESH policies.

(b) Show data relating to health, safety and welfare of its employees.

Sick Leaves for Year 2014

No. of employees	Availed sick eaves	Average sick leave per employee
77	291	3.77

Environment Safety and Health Programs:

Safety/Environmental/Health and Wellness 2014	
Defensive Driving Training	6 sessions (26 participants)
National Fire Protection Association (NFPA) 70E Training	1 session (22 participants)
Incident Investigation Training	1 session (24 participants)
Employee Emergency Kits Issued	15 kits (7 backpack type and 8 small carry-on bag type)
First Aid Training	1 session (13 participants)
Health Awareness sessions	
a. Snake bite Prevention and First Aid Treatment	5 sessions (72 attendees)
b. Ebola Awareness campaign	19 sessions (217 attendees)
c. Hypertension	1 session
d. Tuberculosis	1 session
e. Drug Awareness Campaign	1 session
f. HIV AIDS Awareness Campaign	1 session
Flu vaccine administration	119 employees
Annual Physical Examination	163 employees
Fire Evacuation Drill	2 sessions
Wellness/Physical Fitness Activities	
a. Badminton activities	28 sessions
b. Dance/Zumba activities	10 sessions
c. Basic Running Class/Running session	8 sessions
d. Fun run	3 sessions
Wilderness Immersion, Survival and Emergency Management Training	1 session
Medical Missions	5 sessions
Minimum Health Management System sessions	5 sessions
Acquisition of PPE for possible Ebola outbreak	5 sets (Tychem suit)
Acquisition of anti-venin for snakebites and the like	8 vials of anti-venin

Safety:

- Walk-around inspection – teams composed of representatives of different departments were formed to identify and mitigate hazards in the workplace
- Safety inspection in projects
- Unified ESH incident reporting and investigation standard/policy – implemented at head office and plant sites
- Provision of Personal Protective Equipment (PPE) to employees
- Motor Vehicle Safety Program conducted for key employees and contractors
- Emergency Preparedness and Response – Team and Plan in place (kits provided to employees/first aid station provided in pre-defined office areas as well as in pool of vehicles)
- QESH arrangements with OML Center leading to enterprise-wide adoption of a systematic weather forecast monitoring and triangulation – PAGASA, Japan Meteorological Agency, Joint Typhoon Warning Center

- Maintenance of safety equipment: fire extinguishers (through monthly inspections), emergency light, sprinklers, smoke detectors and fire exits
- Wilderness Training participated in by employees from head office and other subsidiaries of the company
- Roll-out of ESH Management System to the head office and project sites
- Participation in the Permit to Work audits plants of the company's subsidiaries
- Inclusion of ESH Annex in documents for project construction
- Safety walkthroughs in the ongoing construction of the company's projects
- Support for the ESH Risk Assessment of ongoing projects

Health and Wellness:

- Continuation of the implementation of office ergonomics program deployed in last quarter of 2012; one-on-one dissemination on the functionalities of ergonomics peripherals provided (keyboard trays, ergonomic chairs and mouse
- Wellness programs held: badminton games, dance/zumba; participation in fun run and walk the talk activities
- Annual Physical Examination (APE) and medical consultations done; over the counter medicines provided
- Provision of clinic and Occupational Physician
- Annual vaccination program held (part of Pandemic Influenza preparedness) and provision of anti-venin for snakebites for site and project employees
- Information, Education and Communication programs/fora held
- Ebola Awareness campaign done through lectures and quiz bees after lectures and through posters
- Procurement of Ebola PPE (Tychem suit) as part of the Ebola preparedness campaign
- Random Drug Testing done last quarter of 2013
- Conduct of medical missions in project sites
- Start of roll-out of the Minimum Health Management System on the company's subsidiaries

Environmental:

- Conduct of work environment measurement (WEM) in last quarter of 2014
- Workplace survey held covering 5S (sorting/setting in order/sweeping-shine/standardizing/sustaining practice)

(c) State the company's training and development programs for its employees. Show the data.

The following company-initiated training and development programs were conducted in 2014:

Program	Number of Participants	Date
Advance Project Finance Modeling	17	April 2014
Advanced MS Excel 2010	21	November 2014
Best Practices on Finance Modeling	22	November 2014
Contracts 101: Creating And Preserving Value Through Contracts	27	November 2014
Creating Development Plans	20	April 2014
Electricity Retail Contracts	3	April 2014
Engineering, Procurement and Construction (EPC) Master Class with Workshop	30	December 2014
Executive Coaching Program	5	September 2014
Executive Learning Session - Adaptive Leadership	45	August 2014
Fundamentals of Power Generation	5	February 2014
Intermediate MS Office Power Point Training	5	December 2014
Making Learning Effective through Materials & Test	14	April 2014
MS Excel 2010 - Advance Level	5	December 2014
Power 101: Philippine Power Industry	54	October 2014
Power Purchase Agreement	8	March 2014

Presentation Advantage	4	May 2014
Setting Up For Success: A Strategic Visioning Workshop	18	July 2014
Targeted Selection Training	6	February 2014
Technical Report Writing Skills for Power and Utilities Professionals	48	November 2014
The 7 Habits of Highly Effective People Signature Program	9	July 2014

The following functional training and development programs were conducted in 2014:

Program	Number of Participants	Date
10th Annual Asia Pacific V User's Conference	1	September 2014
14th National Occupational Safety and Health Congress	1	November 2014
16th Hydro Power Engineering Exchange	1	August 2014
2014 Natural Gas Summit	1	March 2014
2014 V Users' Conference	3	September 2014
5 Modular Courses for Occupational Health Physician	1	August – September 2014
Accounting for Non-Accountants	1	December 2014
Advanced Diagnostics Workshop for High Voltage Assets	1	October 2014
Agile Project Management (Scrum): Lessons Learned from Orchestrack	1	November 2014
AIM Asian Forum on CSR	5	September 2014
Annual Siemens T3000 Users' Group Meeting	2	June 2014
Business Continuity Management System	1	May 2014
Certificate Course in the Fundamentals of Organization Development	1	September-October 2014
Certifier Information Security Manager	1	August, September, October 2014
COBIT 5 Foundation	1	August 2014
Compensation Management, Measure and Analysis Seminar	1	January 2014
Comprehensive Seminar on Withholding Tax on Wages and Fringe Benefits Tax	1	January 2014
Comprehensive Seminar to Achieve Tax Compliance in the Local Accounts Payable Process	1	February 2014
Control Objectives for Information and Related Technology (COBIT) 5 Foundation	1	November 2014
Corporate Governance Seminar	1	May 2014
Creative Problem Solving Techniques for Auditors	1	May 2014
Effective Business Writing	2	May 2014
Electrical Control Wiring, Installation and Troubleshooting	1	June-August 2014
Essentials of Coal Markets and Training	2	June 2014
Executive Decision Making Workshop	1	March 2014
Expenditure Taxation	1	February 2014

Financial Derivatives	1	February 2014
Fundamentals of Labor and Employment Laws	2	February 2014
Gaztransport & Technigaz Seminar on Gas Ship Technology (GST) Membrane Full Integrity Seminar	2	April 2014
Heads Up: ISO Transitions	1	August 2014
HRSG User's Group Conference and Expo	2	February 2014
HV Substation - Design and Construction	1	May 2014
Hydraulic Industrial Controls	1	February – March 2014
Hydro 2014: Building on Recent Development Progress	3	October 2014
IIA-P Audit Rating System	1	February 2014
IIA-P Whole Day Learning Event with 3rd General Membership Meeting	6	August 2014
Import/Export Part 1 Seminar	1	April 2014
Incident Investigation and Prevention Training	2	March 2014
Infor10x EAM Workshop	1	January 2014
Infor10x Enterprise Asset Management (EAM) Workshop	2	January 2014
IT Security Summit 2014	1	May 2014
ITIL (Information Technology Infrastructure Library) v.4 Foundation Training	1	November 2014
Loss Control Management - Advanced OSH	1	September 2014
Managing Logistics in the Supply Chain	1	February 2014
Materials and Process Quality Control in Construction	1	May 2014
National Examination Board in Occupational Safety and Health (NEBOSH) International General Certificate in Occupational Safety and Health	2	December 2014
New BIR Rules on Tax Audit and Assessment	1	January 2014
OMICRON Advanced Diagnostics Workshop for High Voltage Assets	1	May 2014
Operational Risk Management Workshop	1	July 2014
Partial Discharge in Rotating Machine	15	April 2014
Participatory Monitoring and Evaluation of Social Development Projects	1	July 2014
Philippines LNG	7	May 2014
Power System Design, Protective Relaying, & High Voltage Substation	1	August 2014
PowerGen International 2014	2	December 2014
Practical Root Cause Analysis Training	5	March 2014
Project Management Workshop	2	August 2014
Reserve Market Training	11	January 2014
Safety Culture Excellence	4	August 2014
SAP BC400	1	August 2014
Seminar on Environmental Management for Managing Heads	1	August 2014
The 3rd Strategic Recruitment & Talent Selection Summit	2	May 2014

The Philippine Energy and The ASEAN Energy Market Integration	1	June 2014
Towers Watson Forum on Executive Compensation and Long-Term Incentive	1	November 2014
Training of Trainers for Mindanao /Occupational Health and Safety Center, Department of Labor and Employment	1	March 2014
VM 600 Machinery Protection System Basic and Advance Training	6	July 2014
Workshop on VAT	1	September 2014
10th Annual Asia Pacific V User's Conference	1	January 2014

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The company's reward and compensation policy are designed to accomplish the following:

- Provide competitive level of guaranteed pay, more aggressive on total cash through variable pay (incentive plan)
- Allow the company to compete, retain and motivate employees
- Recognize and reward individuals initiatives and contributions

Economic increases are given at the sole discretion of the company and are based on the changing economic or living conditions of the country or the inflation rate.

Merit increases are given at the sole discretion of the company and are based on the employee's demonstrated performance and contribution to the organization.

All increases and incentive pay are based on financial measures as well as Key Results Areas that include market performance, customer satisfaction, operational and process excellence and organizational learning.

(e) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

Employees may raise complaints concerning illegal or unethical behavior to their group head, or the Human Resources department. HR determines whether such act is under the scope of the Employee Code of Conduct, and if so, initiates due process, including a notice to explain, investigation and hearings, and imposes sanctions as warranted. Witnesses, reports, and communications are kept strictly confidential, to protect the identities of parties involved.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more (as of March 31, 2014)

Shareholder	Number of Shares	Percent	Beneficial Owner
See table below			

The equity securities of the Corporation consist of common and preferred shares. The common shares, as well as Series "B" and "E" preferred shares, are voting; the Series "F" and "G" preferred shares are non-voting.

As of March 13, 2014, the Company knows of no one who is directly or indirectly the record or beneficial owner of more than 5% of the corporation's capital stock except as set forth below:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Common Shares
Common	First Philippine Holdings Corp. (FPH) 4th Floor Benpres Building Exchange Road cor. Meralco Avenue, Pasig City FPH is the parent of the Corporation.	FPH is the record and beneficial owner of the shares indicated.	Filipino	2,228,239,159	66.24%
Common	PCD Nominee Corp. (Filipino) PCD Nominee Corp. (Foreign)	Various		551,632,492 538,287,301	16.40% 16.00%

	Owner of more than 5% under PCD Nominee Corp.				
Common	Deutsche Bank Manila-Clients A/C 26th Floor Ayala Tower One Ayala Triangle, Makati City The Hongkong and Shanghai Banking Corp. Ltd. - Clients' Acct. HSBC Securities Services, 12th Floor The Enterprise Center, Tower I, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City	Various Various	Foreign Foreign	239,461,189 195,893,496	7.12% 5.82%
Title of Class	**Name, Address of Record Owner and Relationship with Issuer**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**No. of Shares Held**	**Percentage to Voting Preferred Shares**
Voting Preferred Shares (Series B and E)	FPH	FPH is the record and beneficial owner of the shares.	Filipino	1,468,553,892	100.00%

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Non-Voting Preferred Shares
Non-Voting Preferred Shares (Series F)	FPH	FPH is the record and beneficial owner of the shares.	Filipino	52,434,000	22.43%
Non-Voting Preferred Shares (Series F)	PCD Nominee Corp. (Filipino)	Various	Filipino	45,165,500	19.32%

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Non-Voting Preferred Shares
Non-Voting Preferred Shares (Series G)	FPH	FPH is the record and beneficial owner of the shares.	Filipino	50,296,450	21.52%
Non-Voting	PCD Nominee Corp. (Filipino)	Various		81,423,050	34.83%

Preferred Shares (Series G)					

	Owner of more than 5% under PCD Nominee Corp.				
Non-Voting Preferred Shares (Series G)	BDO Securities Corporation 27th Floor Tower I & Exchange Plaza Ayala Ave., Makati City	Various	Filipino	40,448,440	17.30%

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
See table below			

As of March 13, 2014:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage to Common Shares
Common	Oscar M. Lopez	Direct - 5,461,226	Filipino	0.1623%
Common	Federico R. Lopez	Direct - 5,569,397	Filipino	0.1656%
Common	Francis Giles B. Puno	Direct - 8,090,930	Filipino	0.2405%
Common	Richard B. Tantoco	Direct - 4,748,820	Filipino	0.1412%
Common	Peter D. Garrucho Jr.	Direct - 6,887,004	Filipino	0.2047%
Common	Elpidio L. Ibañez	Direct - 1,900,000	Filipino	0.0565%
Common	Eugenio L. Lopez III	Direct - 150	Filipino	0.0000%
Common	Tony Tan Caktiong	Direct - 165	Filipino	0.0000%
Common	Jaime I. Ayala	1	Filipino	0.0000%
Common	Ernesto B. Pantangco	Direct - 2,681,866	Filipino	0.0797%
Common	Jonathan C. Russell	Direct - 1,929,538	British	0.0574%
Common	Renato A. Castillo	0	Filipino	0.0000%
Common	Victor B. Santos Jr.	0	Filipino	0.0000%
Common	Emmanuel P. Singson	Direct - 705,000	Filipino	0.0210%
Common	Nestor H. Vasay	Direct - 525,000	Filipino	0.0156%
Common	Ferdinand Edwin S. Co Seteng	0	Filipino	0.0000%
Common	Colin Fleming	Direct - 33,300	British	0.0010%
Common	Erwin O. Avante	Direct - 273,875	Filipino	0.0081%
Common	Jerome H. Cainglet	Direct - 294,416	Filipino	0.0088%
Common	Teodorico R. Delfin	0	Filipino	0.0000%
Common	Valerie Y. Dy Sun	0	Filipino	0.0000%
Common	Ana Karina P. Gerochi	0	Filipino	0.0000%
Common	Dennis P. Gonzales	Direct - 465,000	Filipino	0.0138%
Common	Shirley C. Hombrebueno	Direct - 410,749	Filipino	0.0122%
Common	Ariel Arman V. Lapus	0	Filipino	0.0000%
Common	Jorge H. Lucas	Direct - 169,729	Filipino	0.0050%
Common	Aloysius L. Santos	0	Filipino	0.0000%
Common	Carmina Z. Ubaña	Direct - 10,268	Filipino	0.0003%
Common	Daniel H. Valeriano Jr.	Direct - 1,300,000	Filipino	0.0386%
Common	Charlie R. Valerio	0	Filipino	0.0000%
Common	Ma. Theresa M. Villanueva	0	Filipino	0.0000%
Common	Vincent C. Villegas	Direct - 245,269	Filipino	0.0073%
Common	Michael Christopher Young	0	New Zealander	0.0000%
Common	Rachel R. Hernandez	Direct - 8,299	Filipino	0.0002%
Common	Anna Marie M. Sencio	0	Filipino	0.0000%

On October 1, 2014, the board of directors approved the appointment of Mr. Julicer A. Alvis as Vice President of the Corporation.

2) Does the Annual Report disclose the following:

The Annual Report (on SEC Form 17-A) for 2013 has the following Exhibits:

- Exhibit A – Management Report
- Exhibit B – Audited Consolidated Financial Statements and Audited Parent Company Financial Statements (stamped received by the Bureau of Internal Revenue)
- Exhibit C – SRC Rule 68, as amended (2011) (Schedules)
- Exhibit D – Audit Committee Report for the Year 2013

The company also furnished its stockholders with an annual report for 2013.

Key risks	Major financial risks (interest rate risk, foreign currency risk, credit risk, liquidity risk) are discussed on pages 159 to 168 of the Annual Report. Extensive discussion and quantifications of the impact of the major financial risks are disclosed in Note 26 of the Audited Consolidated Financial Statements.
Corporate objectives	The company's power generation business, through its various operating companies, is discussed extensively on pages 8 to 27 of the Annual Report.
Financial performance indicators	The key financial performance indicators of the First Gen group are disclosed on page 30 of the Management Report (Exhibit A of the Annual Report). The same financial performance indicators are likewise included in the Information Statement (shown as Financial Soundness Indicators).
Non-financial performance indicators	The average net capacity factor and plant availability and reliability of the various power plants under the company's portfolio are discussed in the company's 2013 annual report[9], in pages 8 to 27. For instance, the company's Santa Rita gas-fired power plant reported an 83.3% *average* net plant capacity, plant availability of 90.1% even with scheduled maintenance outages, and reliability at 98.4% for year 2013. For the San Lorenzo gas-fired power plant, it reported an average net plant capacity of 75.7%, while plant availability and reliability was at 64.1% and 73.8%, respectively. The FG Hydro plant achieved three-million man-hours milestone without Lost Time Incident since privatization in 2006.
Dividend policy	Dividends are discussed on pages 32-34 of the Management Report (Exhibit A of the Annual Report). The dividend policy and previous dividends declared by the company are disclosed on pages 33-35 of the Management Report (Exhibit A of the Information Statement).
Details of whistle-blowing policy	The oversight responsibilities of the Audit Committee on financial reporting, internal control systems, internal audit activities, compliance with key regulatory requirements, and enforcement of the Corporate Code of Conduct are discussed on pages 37 - 38 of the company's 2013 annual report.[10]
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Biographical details of the directors are indicated on pages 40-43 of the Annual Report. Biographical details are also disclosed on pages 6-7 of the Information Statement.
Training and/or continuing education programme attended by each director/commissioner	The educational background and relevant training of the directors are included in their respective biographical details on pages 40-43 of the Annual Report.
Number of board of directors/commissioners meetings held during the year	The number of board meetings held in 2013 is included in the company's January 8, 2013 filing with the SEC and can be found in the company's website under http://www.firstgen.com.ph/uploads/files/blurb-86_file-932_letter_to_pse_re_2013_bod_attendance_jan_30_14.pdf
Attendance details of each director/commissioner in respect of meetings held	The attendance details of each director for board meetings held in 2012 are included in the company's January 8, 2013 filing with the SEC and can be found in the company's website under http://www.firstgen.com.ph/uploads/files/blurb-86_file-932_letter_to_pse_re_2013_bod_attendance_jan_30_14.pdf

[9] Entitled, "Good Is Why We Power More Homes With Less Impact On The Environment"
[10] Id.

Details of remuneration of the CEO and each member of the board of directors/commissioners	The compensation of the CEO and the top 5 members of senior management are disclosed on page 13 of the Information Statement.

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

The following table sets out the aggregate fees billed and paid for each of the last three (3) fiscal years for professional services rendered by SyCip Gorres Velayo & Co.:

AUDIT FEES (in Philippine peso)	**2013**	**2012**	**2011**
Audit and Audit-Related Fees	6,577,136	5,175,276	5,381,429
Tax Fees	457,597	709,531	798,563
All Other Fees[1]	9,911,485	4,949,572	76,400
	16,946,218	**10,834,379**	**6,256,392**

[1] For services relating to due diligence for various financing activities, issuance of agreed-upon procedures (AUP) report for the increase in capital stock of various subsidiaries, AUP for the conversion of deposits for future stock subscriptions into equity, issuance of comfort letters in relation to the Series "F" and Series "G" perpetual preferred share offerings and the US$300M Notes offering, and conduct of seminars.

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

The company disseminates corporate information through structured and unstructured disclosures filed with the PSE and SEC, press releases, and company website.

5) Date of release of audited financial report:

The company's audited consolidated financial statements for the years ended December 31, 2013 and 2012 were released on April 1, 2014 as an exhibit to the company's Preliminary Information Statement on SEC Form 20-IS.

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

The following are disclosed in the Information Statement and Audited Financial Statements:

To the best of the Corporation's knowledge, there has been no material transaction during the past two (2) years, nor

is there any material transaction presently proposed, to which the Corporation was or is to be a party, in which any of its directors, executive officers, nominees for election as directors, or any individual owning, directly or indirectly, significant voting power of the Corporation, or any close family members of such individuals, had or is to have a direct or indirect material interest, except as provided hereunder.

Related party relationships exist 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. Each of the company's related party transactions is fair and was conducted at arm's length.

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 certain entities in the Lopez group of companies.

b. First Gen group of companies leases its office premises, where its corporate offices are located, from First Philippine Realty Corporation, a subsidiary of FPH.

c. First Gen 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 (3) years up to August 31, 2011. On October 10, 2011, First Gen and EDC agreed to extend the Consultancy Agreement for a period of sixteen (16) months from September 1, 2011 to December 31, 2012 with the same monthly fee.

   On January 30, 2013, First Gen and EDC agreed to extend the Consultancy agreement for a another period of two (2) 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, a shareholder of EDC, has an 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. As of December 31, 2013, the outstanding balance of the loan amounted to $66.7 million (₱2,959.7 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. As of December 31, 2013, the outstanding loan amounted to $72.2 million (₱3,203.2 million).

e. Following the usual bidding process in 2010, EDC awarded to First Balfour, Inc. ("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 drilling services such as, but not limited to, rig operations, rig maintenance, well design and engineering. As of December 31, 2013, the outstanding balance of EDC's payables to First Balfour and Thermaprime totaled $5.2 million (₱230.5 million). First Balfour is a wholly-owned subsidiary of FPH.

f. Intercompany Guarantees
   EDC Chile Limitada ("EDC Chile"), 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'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 as evidence of its financial support.

   When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

   Under the Manual on Corporate Governance, management formulates, under the supervision of the Audit Committee, rules and procedures on financial reporting and internal control, that promote an effective system of

internal control, ensure the integrity of financial reports, and protect the assets of the company, and complies with the financial reporting requirements by the SEC.

J. RIGHTS OF STOCKHOLDERS

Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

As can be seen in the minutes of the May 8, 2013 annual general meeting, the Chairman asked the stockholders present if there were any questions or points of clarification on the Chairman's address as well as the annual report of the President and the COO. The Chairman encouraged the stockholders to ask questions by saying that the board of directors would be happy to answer any questions. As a result, 3 stockholders (Rommel Songco, Guillermo Gili Jr. and Greg Calixto) posed questions to the directors during the said meeting. Their questions and concerns were addressed by the directors and management of the company.

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Pursuant to Article I, Section 5 of the company's By-laws, at all meetings of stockholders, whether annual or special, other than meetings the quorum of which is fixed by law, in order to constitute a quorum, there shall be present either in person or by proxy the stockholders of record constituting at least the majority of the outstanding capital stock entitled to vote.

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Corporate acts are approved by the board of directors.
Description	Under the By-laws, the directors shall only act as a board. A majority of the board shall constitute a quorum for the transaction of business, and every decision of a majority of the quorum shall be valid as a corporate act; but one or more directors present at the time and place for which a meeting shall have been called may adjourn any meeting from time to time until a quorum shall be present.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
Section 50. *Regular and special meetings of stockholders or members.* Regular meetings of stockholders or members shall be held annually on a date fixed in the by-laws, or if not so fixed, on any date in April of every year as determined by the board of directors or trustees: Provided, That written notice of regular meetings shall be sent to all stockholders or members of record at least two (2) weeks prior to the meeting, unless a different period is required by the by-laws. Special meetings of stockholders or members shall be held at any time deemed necessary or as provided in the by-laws: Provided, however, That at least one (1) week written notice shall be sent to all stockholders or members, unless otherwise provided in the by-laws.	Article I of the company's By-laws provides: *Section 1. Annual Meeting.* The Annual Meeting of Stockholders of the Corporation shall be held at the principal office of the Corporation, or such place in Metro Manila, Philippines, as may be fixed by the Board of Directors, or the President, and specified in the notice, on the second Wednesday of May of each and every year if said day is not a legal holiday; if a legal holiday, then on the day following. *Section 2. Notice of Annual Meeting.* Notice of the time and place of holding such Annual Meeting shall be served either personally or by mail or by telex, telecopy or cable upon such stockholder of record of the Corporation entitled to vote at such

Notice of any meeting may be waived, expressly or impliedly, by any stockholder or member. Whenever, for any cause, there is no person authorized to call a meeting, the Secretaries and Exchange Commission, upon petition of a stockholder or member on a showing of good cause therefor, may issue an order to the petitioning stockholder or member directing him to call a meeting of the corporation by giving proper notice required by this Code or by the by-laws. The petitioning stockholder or member shall preside thereat until at least a majority of the stockholders or members present have been chosen one of their number as presiding officer. *Section 51. Place and time of meetings of stockholders or members.* Stockholders' or members' meetings, whether regular or special, shall be held in the city or municipality where the principal office of the corporation is located, and if practicable in the principal office of the corporation: Provided, That Metro Manila shall, for purposes of this section, be considered a city or municipality. Notice of meetings shall be in writing, and the time and place thereof stated therein. All proceedings had and any business transacted at any meeting of the stockholders or members, if within the powers or authority of the corporation, shall be valid even if the meeting be improperly held or called, provided all the stockholders or members of the corporation are present or duly represented at the meeting *Section 52. Quorum in meetings.* Unless otherwise provided for in this Code or in the by-laws, a quorum shall consist of the stockholders representing a majority of the outstanding capital stock or a majority of the members in the case of non-stock corporations. (n) *Section 53. Regular and special meetings of directors or trustees.* Regular meetings of the board of directors or trustees of every corporation shall be held monthly, unless the by-laws provide otherwise. Special meetings of the board of directors or trustees may be held at any time upon the call of the president or as provided in the by-laws. Meetings of directors or trustees of corporations may be held anywhere in or outside of the Philippines, unless the by-laws provide otherwise. Notice of regular or special meetings stating the date, time and place of the meeting must be sent to every director or trustee at least one (1) day prior to the scheduled meeting, unless otherwise provided by the by-laws. A director or trustee may waive this requirement, either expressly or impliedly.	meeting not less than ten (10) days before the date fixed in such notice for the meeting; if mailed, it shall be directed, except as otherwise provided by law, to each stockholder to his post office address as it appears on the stock books of the Corporation. *Section 3. Special Meetings.* Special Meetings of the Stockholders, unless otherwise provided for by law, may be called at any time by the President and Secretary of the Corporation upon orders of the Board of Directors. The Secretary shall call a special meeting of stockholders whenever he is requested in writing to do so by stockholders of record of a majority of the capital stock of the Corporation entitled to vote at such meetings. *Section 4. Notice of Special Meetings.* Notice of each special meeting, unless otherwise provided by law, may be given as herein provided for giving notice of an annual meeting. *Section 5. Quorum.* At all meetings of stockholders, annual or special, other than meetings the quorum of which is fixed by law, in order to constitute a quorum there shall be present either in person or by proxy the stockholders of record constituting at least the majority of the outstanding capital stock and entitled to vote. If said quorum is not present, the meeting shall be automatically reconvened on a date at least fifteen (15) days from the date of such meeting, which date shall be indicated in the original notice. In the reconvened meeting, the presence of stockholders holding at least the majority of the outstanding capital stock shall be sufficient to constitute a quorum, except in those cases where greater vote for an act of business is required by law or the By-laws.

Dividends

Declaration Date	Record Date	Payment Date
November 13, 2014	January 5, 2015	January 26, 2015
October 1, 2014	October 16, 2014	October 30, 2014
June 16, 2014	July 1, 2014	July 25, 2014
November 21, 2013	January 2, 2014	January 27, 2014
July 10, 2013	July 25, 2013	August 19, 2013
June 19, 2013	July 3, 2013	July 25, 2013
November 21, 2012	January 2, 2013	January 25, 2013
June 15, 2012	June 29, 2012	July 25, 2012
December 15, 2011	January 6, 2012	January 25, 2012
July 5, 2011	July 19, 2011	July 25, 2011
January 26, 2011	February 9, 2011	March 7, 2011
March 8 and May 12, 2010 (stock dividend)	-	June 2, 2010 (notice of declaration of stock dividend submitted to the SEC)
October 5 and November 20, 2009 (stock dividend)	-	November 26, 2009 (approved by the SEC)
October 5 and November 20, 2009 (property dividend)	November 20, 2009	November 26, 2009 (approved by the SEC)
March 30 and May 13, 2009 (stock dividend)	September 11, 2009	October 7, 2009
March 30 and May 13, 2009 (property dividend)	May 13, 2009	September 23, 2009 (approved by the SEC)
August 15, 2007	September 7, 2007	September 15, 2007

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Although the company is not soliciting proxies, it provides, in the Information Statement, a draft general proxy form for stockholders who may wish to appoint a proxy for the meeting. This facilitates stockholder participation in stockholders' meetings.	Each stockholder is furnished a hard copy of the Information Statement at least 25 business days before the stockholders' meeting. A notice of meeting is attached to the Information Statement. The notice clearly indicates that "The Corporation is not soliciting proxies; however, a draft general proxy form is hereto attached solely for the convenience of stockholders who may wish to appoint a proxy for the meeting." In addition, the draft general proxy form is attached to the Information Statement to further facilitate stockholder participation by proxy.
During the question and answer portion of stockholders' meetings, the Chairman of the meeting directly asks the stockholders whether they have any question or point of clarification on any matter pertaining to the company. The Chairman encourages	A stockholder who wishes to ask a question of any director or even any member of management may directly pose the question during the question and answer portion of a stockholders' meeting. The company ensures that there are microphones located

such inquiries from the stockholders and allows an adequate period of time to pass before going to the next item in the agenda in order to enable stockholders to formulate their questions.	near the stockholders. Further, the Chairman of the meeting encourages the stockholders to ask questions, and such questions are thoroughly answered by the relevant director or member of management for the benefit of all stockholders, as well as other stakeholders, present at the meeting. During the May 8, 2013 annual general meeting, the Chairman accommodated stockholders who asked questions even after the question and answer portion had already lapsed. Their concerns were addressed by the directors and management of the company.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
    a. Amendments to the company's constitution
    b. Authorization of additional shares
    c. Transfer of all or substantially all assets, which in effect results in the sale of the company

    Under the company's Manual on Corporate Governance, the board recognizes and respects the rights of stockholders under the law, the Articles of Incorporation and By-laws, specifically the stockholders' rights to vote on all matters that require their consent or approval, right to inspect corporate books and records, right to information, right to dividends, and appraisal rights.

    Any amendment to the company's Articles of Incorporation, including the authorization for the increase in the company's authorized capital stock, and sale of all or substantially all of the company's assets, are submitted to the board for approval, and to the stockholders for ratification, under Sections 16, 38, and 40 of the Corporation Code.

    A stockholder's appraisal rights are also embodied in Section 81 of the Corporation Code which gives a stockholder the right to dissent and demand payment of the fair value of his shares in the following instances: (i) in case of any amendment to the articles of incorporation which has the effect of changing or restricting the rights of any stockholder or class of shares; or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and (iii) in case of merger or consolidation.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

    Yes. The notice of meeting (and preliminary information statement) is filed with the PSE and SEC, and uploaded in the company and PSE's websites, at least 25 business days prior to the date of the stockholders' meeting.

    a. Date of sending out notices:

    b. Date of the Annual/Special Stockholders' Meeting:

    Following are the dates of filing of the notices of meeting (with preliminary information statement) for stockholders' meetings:

    - April 1, 2014 for the May 12, 2014 Annual General Meeting
    - March 27, 2013 for the May 8, 2013 Annual General Meeting
    - April 2, 2012 for the May 16, 2012 Annual General Meeting
    - December 13, 2011 for the January 25, 2012 Special Stockholders' Meeting
    - April 1, 2011 for the May 11, 2011 Annual General Meeting
    - March 30, 2010 for the May 12, 2010 Annual General Meeting
    - October 5, 2009 for the November 20, 2009 Special Stockholders' Meeting
    - April 1, 2009 for the May 13, 2009 Annual General Meeting

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Questions and answers during stockholders' meetings are duly indicated in the minutes of stockholders' meetings. The following questions were asked and answered during the May 8, 2013 annual general meeting:

STOCKHOLDER	QUESTION	ANSWER
Rommel V. Songco	-inquired about the company's 63MW run-of-river projects, specifically on their timetables	Director Francis Giles Puno explained that First Gen is developing 3 run-of-river projects for which feasibility studies have been completed, with construction contracts being bidded out. Considering construction schedules, the company expects commercial operations to take place in 3 years' time.
	-sought clarification on the company's sale of ancillary services	Director Puno explained that when the price of such ancillary services is low, the company would much rather generate electricity to be sold to the Wholesale Electricity Spot Market or WESM.
		Director Richard Tantoco informed the stockholders that Energy Development Corporation has executed an ancillary services agreement with the National Grid Corporation of the Philippines. He said that revenues for ancillary services will be low even if capacity for offer is high because NGCP is buying ancillary services at lower prices. He pointed out that the ancillary service market has become quite competitive.
	-sought clarification as to whether the situation is temporary	Director Tantoco replied in the negative, explaining that it will be a structural shift to the lower price regime. He explained that in the past, the supply of ancillary services was constrained; however, nowadays prices are expected to go down because of the many entities offering ancillary services.
	-inquired about liquefied natural gas or LNG	Director Puno said that because of the Fukushima incident, Japan has increased its demand for natural gas, pushing up demand for the same. He added that by 2016 the company will have to buy gas, and it is difficult to predict how much more expensive LNG will be compared with natural gas. For this reason, the company is already studying how to secure supply as well as liquefaction capacity. While many have expressed their intention to set up their own LNG facilities, it is difficult to find the appropriate site because of local government issues and concerns. He noted that resolution of these issues will take some time. Nonetheless, Director Puno stressed that natural gas is clean and easily gains acceptance from LGUs. He also pointed out that since First Gen's contracts with the gas sellers will end in 2022, there is a need to shift to liquid fuel or LNG in the absence of Malampaya gas so that the company's power plants will continue to run.

Guillermo Gili Jr.	-asked whether the Lopez group is divesting its interest in Meralco	The Chairman clarified that First Gen actually never had a stake in Meralco, for which reason any such divestment would not have an effect on the net income of the company, which was at a historic high.
	-noted that he did not see Director Ayala in the Ayala stockholders' meetings	Director Ayala explained that he retired from the Ayala group in 2010, and since then, has not been a part of the management team.
Greg Calixto	-inquired about EDC and First Gen dividends	Director Puno confirmed that the declaration of cash dividends is currently being reviewed by management which is expected to make a recommendation to the board of directors. He stressed that the company has been growing in the past 5-7 years, and will continue to prioritize investments to the extent that it will generate higher returns.

5. Results of 2013 Annual General Meeting (results of the 2014 meeting are indicated in another part of this report)

<table>
<tr><th>Resolution</th><th>Approving</th><th>Dissenting</th><th>Abstaining</th></tr>
<tr><td>Approval of minutes of the May 16, 2012 Annual General Meeting</td><td>3,788,795,100</td><td>0</td><td>279,191,900</td></tr>
<tr><td>Approval of the annual report of the President and COO</td><td>4,127,405,500</td><td>0</td><td>581,500</td></tr>
<tr><td>Approval of the 2012 Audited Financial Statements</td><td>4,127,405,500</td><td>0</td><td>581,500</td></tr>
<tr><td>Ratification and approval of corporate acts from May 16, 2012 up to May 8, 2013</td><td>4,127,987,000</td><td>0</td><td>0</td></tr>
<tr><td>Appointment of external auditors for 2013-2014</td><td>4,045,982,115</td><td>21,604,885</td><td>400,000</td></tr>
<tr><td>Election of directors for 2013-2014</td><td colspan="3">(see tabulation of votes below for each of the directors)
<table>
<tr><th></th><th>Approving</th><th>Dissenting</th><th>Abstaining</th></tr>
<tr><td>Oscar M. Lopez</td><td>4,063,938,777
84.1033%</td><td>73,754,430
1.5263%</td><td>0</td></tr>
<tr><td>Federico R. Lopez</td><td>4,103,972,566
84.9318%</td><td>33,720,641
0.6978%</td><td>0</td></tr>
<tr><td>Francis Giles B. Puno</td><td>4,064,331,777
84.1114%</td><td>73,361,430
1.5182%</td><td>0</td></tr>
<tr><td>Richard B. Tantoco</td><td>3,968,837,717
82.1351%</td><td>168,855,490
3.4945%</td><td>0</td></tr>
<tr><td>Peter D. Garrucho, Jr.</td><td>4,004,912,877
82.8817%</td><td>132,780,330
2.7479%</td><td>0</td></tr>
<tr><td>Elpidio L. Ibanez</td><td>3,992,076,592
82.6161%</td><td>145,616,615
3.0135%</td><td>0</td></tr>
<tr><td>Eugenio L. Lopez III</td><td>4,039,989,286
83.6076%</td><td>97,703,921
2.0220%</td><td>0</td></tr>
<tr><td>Tony Tan Caktiong</td><td>4,123,158,122
85.3288%</td><td>14,535,085
0.3008%</td><td>0</td></tr>
<tr><td>Jaime I. Ayala</td><td>4,137,693,207
85.6296%</td><td>0</td><td>0</td></tr>
</table></td></tr>
</table>

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The results of votes taken during the 2013 and 2014 Annual General Meetings were immediately made known to the stockholders present at the meetings by an announcement of the votes for, against, and abstaining from, each agenda item as such item was discussed. Resolutions approved by the stockholders were duly disclosed on the same day as the stockholders' meetings by way of a Current Report on SEC Form 17-C filed with the PSE, and later uploaded to the company's website.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

No such modifications were made during the most recent Annual General Meeting.

Modifications	Reason for Modification
None	--

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Directors Present: • Oscar M. Lopez • Federico R. Lopez (Chairman and CEO) • Francis Giles B. Puno • Peter D. Garrucho Jr. • Elpidio L. Ibanez • Eugenio L. Lopez III • Jaime I. Ayala (Independent Director)	May 12, 2014	By proxy and show of hands; As no stockholder, present or represented at the meeting, demanded that voting be by ballot, the votes were counted under the supervision of the Corporate Secretary who counted the votes based on the number of shares entitled to vote owned by stockholders present or represented at the meeting, with the assistance of the company's stock transfer agent.	0.46%	83.09%	83.55%
Annual	Directors Present: • Oscar M. Lopez • Federico R. Lopez (Chairman and CEO) • Francis Giles B. Puno • Richard B. Tantoco • Peter D. Garrucho Jr. • Elpidio L. Ibañez • Tony Tan Caktiong (Independent Director)	May 8, 2013	By proxy and show of hands; As no stockholder, present or represented at the meeting, demanded that voting be by ballot, the votes were counted under the supervision of the Corporate Secretary who counted the votes based on the number of shares entitled to	0.54%	85.62%	86.0%

			vote owned by stockholders present or represented at the meeting, with the assistance of the company's stock transfer agent.			
Special	Directors Present: • Oscar M. Lopez • Federico R. Lopez (Chairman and CEO) • Francis Giles B. Puno • Richard B. Tantoco • Peter D. Garrucho Jr. • Elpidio L. Ibañez • Eugenio L. Lopez III	January 25, 2012	By proxy and show of hands; As no stockholder, present or represented at the meeting, demanded that voting be by ballot, the votes were counted under the supervision of the Corporate Secretary who counted the votes based on the number of shares entitled to vote owned by stockholders present or represented at the meeting, with the assistance of the company's stock transfer agent.	0.45%	82.54%	83.0%

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes. Votes shall be counted under the supervision and control of the Corporate Secretary with the assistance of the company's stock transfer agent Securities Transfer Services, Inc., and the company's external auditors SyCip Gorres Velayo & Co.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes. Holders of common shares are entitled to 1 vote for each share of stock. Holders of Series "B" and "E" voting preferred shares are likewise entitled to 1 vote for each share of stock. Series "F" and "G" preferred shares are non-voting shares and its holders are thus entitled to vote only on specific items provided under the Corporation Code.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Article I Section 6 of the company's By-laws provides that, except as otherwise provided by law, each stockholder of record shall be entitled at every meeting of the stockholders to one vote for each share of stock standing in his name in the stock and transfer books of the Corporation, which vote may be given personally or by written proxy. The written proxy to act shall be given to the Corporate Secretary not less than 6 business days prior to the date of the stockholders' meeting, and the validation thereof should be

	not later than 5 business days prior to the date of the stockholders' meeting. The Corporation does not solicit proxies. In the Information Statement, it is indicated that "WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED TO NOT SEND US A PROXY"; however, a draft general proxy form is attached to the Information Statement solely for the convenience of stockholders who may wish to appoint a proxy for the meeting.
Notary	There is no requirement for a notarized proxy.
Submission of Proxy	Under the company's By-laws, the written proxy should be submitted to the Corporate Secretary not less than 6 business days prior to the date of the stockholders' meeting.
Several Proxies	When more than 1 proxy is submitted by a stockholder, the one that bears the latest date shall be considered.
Validity of Proxy	Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it was intended.
Proxies executed abroad	Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	An invalidated proxy shall not be counted.
Validation of Proxy	Under the company's By-laws, the proxy shall be validated not later than 5 business days prior to the date of the stockholders' meeting.
Violation of Proxy	Proxies which violate the above-mentioned requirements shall not be counted.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Preliminary copies of the notice of meeting and information statement (and attachments) shall be filed with the PSE and SEC, and uploaded in the company and PSE's websites, at least 10 business days prior to the date definitive copies thereof are first sent or given to security holders.	Preliminary copies of the notice of meeting and information statement (and attachments) are filed by the company personally with the SEC and through the PSE online disclosure system (PSE Edge). Upon the PSE's approval of the disclosure, the company uploads the same in its website. The PSE likewise uploads the report in its own website.
Definitive copies of the notice of meeting and information statement (and attachments) shall be filed with the PSE and SEC, and uploaded in the company and PSE's websites, at least 15 business days prior to the date of the stockholders' meeting. Within the same period, copies shall be distributed to stockholders entitled to notice of, and vote at, the said stockholders' meeting.	Upon receipt of the PSE's comments on the notice of meeting and preliminary information statement (and attachments), the company makes the necessary revisions and files definitive copies thereof personally with the SEC and through PSE Edge. Upon the PSE's approval of the definitive information statement, the company proceeds to distribute the same to its stockholders entitled to notice of, and vote at, the stockholders' meeting. Definitive copies are likewise uploaded in the company and PSE's websites.

(i) Definitive Information Statements and Management Report

(For the May 12, 2014 Annual General Meeting)

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	There were approximately 825 stockholders who were entitled to receive copies of the definitive information statement and its attachments.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market	The definitive information statement (with attachments) was uploaded in the company and PSE's websites on April 10. Distribution to market participants / certain beneficial

participants/certain beneficial owners	owners commenced on April 14.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	The definitive information statement (with attachments) was uploaded in the company and PSE's websites on April 10. Distribution to stockholders commenced on April 14.
State whether CD format or hard copies were distributed	Yes. The information statements were distributed in CD format. The company included a statement in the CD sleeve that hard copies of the information statement would be provided upon request of a stockholder.
If yes, indicate whether requesting stockholders were provided hard copies	The company has not received any request for hard copies of the information statement .

(For the May 8, 2013 Annual General Meeting)

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	There were approximately 630 stockholders who were entitled to receive copies of the definitive information statement and its attachments.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	The definitive information statement (with attachments) was uploaded in the company and PSE's websites on April 5. Distribution of hard copies to market participants / certain beneficial owners commenced on April 12.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	The definitive information statement (with attachments) was uploaded in the company and PSE's websites on April 5. Distribution of hard copies to stockholders commenced on April 12.
State whether CD format or hard copies were distributed	Yes. Hard copies were distributed to stockholders entitled to notice of, and vote at, the Annual General Meeting.
If yes, indicate whether requesting stockholders were provided hard copies	Hard copies were distributed to stockholders entitled to notice of, and vote at, the Annual General Meeting.

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes. The agenda for the May 12, 2014 meeting is as follows: 1. Call to Order 2. Determination of Quorum 3. Approval of the Minutes of the May 8, 2013 Annual General Meeting 4. Address of the Chairman and Chief Executive Officer 5. Annual Report of the President and Chief Operating Officer 6. Election of Directors (including Independent Directors) for 2014-2015 7. Approval of the Audited Consolidated Financial Statements for the years ended December 31, 2013 and 2012 8. Appointment of External Auditors for 2014-2015 9. Amendment of the Third Article of the Amended Articles of Incorporation to Indicate the Specific Principal Office Address of the Company 10. Authority of the Company to Act as Guarantor / Co-obligor for any of its Subsidiaries 11. Ratification of the Acts and Resolutions of the Board of Directors and Management 12. Other Matters 13. Adjournment

Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes. The 20-IS includes the complete profiles of the directors nominated for re-election – indicated are the month and year of appointment, experience, and directorships in other listed companies.
The auditors to be appointed or re-appointed.	Yes. The 2014 notice of meeting includes the following provision: SyCip Gorres Velayo & Co. ("SGV") has acted as the Corporation's external auditors since the company's incorporation in December 1998. SGV is in compliance with Rule 68, paragraph 3(b)(iv) of the SRC which requires the rotation of the handling partner every five (5) consecutive years. The engagement partner who conducted the audit for calendar year 2013 is Mr. Ladislao Z. Avila; he replaced Mr. Martin C. Guantes who was the handling partner from 2009-2012. SGV is being recommended for re-appointment as the Corporation's external auditors for the current year. For the past five (5) years, the Corporation has not had any disagreements with SGV on accounting principles and practices, financial statement disclosures, or auditing scope or procedures. Reports of the external auditors are reviewed by the Corporation's Audit Committee which is composed of Independent Director Jaime I. Ayala as chairman, with Director Elpidio L. Ibañez, Independent Director Tony Tan Caktiong, and Director Peter D. Garrucho Jr. as members. Representatives from SGV are expected to be present and respond to appropriate questions during the Annual General Meeting. They will have the opportunity to make a statement if they so desire.
An explanation of the dividend policy, if any dividend is to be declared.	Yes. The dividend policy is explained in Exhibit A (Management Report) of the Notice of Meeting. The dividend policy is as follows: First Gen has a dividend policy to declare, subject to certain conditions, an annual cash dividend on its common shares equivalent to 30% of the prior year's recurring net income. Any such declaration of cash dividend is conditional upon the recommendation of the board of directors, after taking into consideration factors such as, but not limited to, debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves, and working capital. Further, the declaration of a cash dividend is subject to the preferential dividend rights of the voting preferred shares and perpetual preferred shares. This dividend policy may be revised by the board of directors for whatever reason it deems necessary, reasonable, or convenient.
The amount payable for final dividends.	Yes. The amount payable for final dividends is indicated in Schedule K of Exhibit C (SRC Rule 68, as amended) of the Notice of Meeting.
Documents required for proxy vote.	Yes. A statement in bold at the top of the page of the information statement states: "WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED TO NOT SEND US A PROXY." Nevertheless, a draft general proxy form is attached to the Notice of Meeting solely for the convenience of stockholders who may wish to appoint a

	proxy.

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

1) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Under the Manual on Corporate Governance, specifically Section 12 on Shareholders' Benefit – Investors' Rights and Protection, the board recognizes and shall respect the rights of the stockholders under the law, the Articles of Incorporation and By-Laws, specifically the stockholders' rights to vote on all matters that require their consent or approval, right to inspect corporate books and records; right to information; right to dividends, and appraisal rights. The board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. It is further provided that it is the duty of the board to promote the rights of stockholders, remove impediments to the exercise of those rights, and provide an adequate avenue for them to seek timely redress for breach of their rights. The board should take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to arrive at a sound judgment pertaining to matters brought to their attention for consideration or approval. Although all stockholders should be treated equally and without discrimination, the board should consider granting minority stockholders the right to propose the holding of meetings as may be proper under the circumstances and the items for discussion in the agenda that relate directly to the business of the company.	All stockholders are encouraged and are given an opportunity to ask questions regarding the company during the annual stockholders' meeting. Even after the termination of the question and answer portion, the Chairman accommodates stockholders who wish to pose a question. Stockholders' questions and concerns are addressed by directors and members of management.

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes, minority stockholders have the right to nominate candidates for election to the board of directors. There is nothing in the Manual on Corporate Governance or in any corporate charter, rule, policy or procedure which prohibits minority stockholders from nominating persons for election to the board of directors.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The company's communications policies are embodied in the Quality Management System Manual, which are periodically reviewed by Quality, Environment, Safety and Health Department in line with the requirements of ISO 9001: 2008 Standard. These are reviewed and audited regularly.

The Investor Relations and the Legal and Regulatory Departments of the company jointly work together to draft and review major company announcements that are approved by Senior Management prior to release.

Internal and external communications may be provided in any of the forms below:

- Internal / External Shareholder Meetings
- Annual Reports

- Public disclosures
- Company Website
- Investor Conferences and Roadshows, local and international
- E-mails
- Speeches
- Presentations
- Press Releases

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	The objectives of the company's Investor Relations program are to: • define the company's corporate message, strategy and objectives; • establish a consistent message; • provide timely information and updates to the company's stakeholders; and, • build relationships of trust with the stakeholders.
(2) Principles	• Commitment to deliver targets • Consistent provision of timely and relevant information • Honesty and transparency
(3) Modes of Communications	• Shareholder Meetings • Annual Reports • Public disclosures • Company Website • Investor Conferences and Roadshows, local and international • E-mails • Speeches • Presentations • Press Releases
(4) Investors Relations Officer	Valerie Gloriane Y. Dy Sun vydysun@firstgen.com.ph (632) 449-6247

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

The acquisition and sale of corporate assets are jointly undertaken by the Finance and Business Development Departments of the company. Transactions are evaluated on the basis of the company's required rates of returns and are subjected to stress-testing/scenario analysis by the project proponents.

The company's strategy is dictated by its mission and vision statements. Moreover, its registered list of business activities, as well as certain loan covenants, require that it evaluate certain transactions within the parameters of its allowed business activities.

Extraordinary transactions such as mergers and dispositions of substantial assets are submitted for approval to the company's board of directors, and thereafter, for ratification by the stockholders, under Sections 77 and 40 of the Corporation Code.

It is the company's policy under Section 13 of the Manual on Corporate Governance that all material information about the Corporation, such as acquisition and disposition of assets, are publicly and timely disclosed through the appropriate mechanisms of the Philippine Stock Exchange and periodic submissions to the Securities and Exchange Commission.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the

transaction price.

The Company normally hires an investment bank(s) for a third party assessment in order to evaluate the fairness of a transaction price.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Education The First Gen group of companies aims to improve the quality of education in the host public schools and make it accessible to the student populace. The First Gas Group has tied up with the Batangas State University to implement the Teachers' Education for Students Thrust (TEST) program which aims to enhance the proficiency of the teachers and in turn, to improve the mean percentage of pupils from both public elementary schools, located within the host barangay of Sta. Rita in Batangas. FGHPC, on the other hand, installed Knowledge Channel, an educational television program, to Masiway Elementary School and Kalayaan Elementary School – in addition to the four schools provided in the previous years. FGHPC also provides graduating elementary students in its 4 primary host schools with an education incentive for them to complete their primary education. A total of 117 students for SY 2012-2013 and 92 students for school year 2013-2014 were provided with the incentive. Similarly, First Gen and the First Gas group provided an education incentive for 52 children of volunteer sea watch (Bantay Dagat) from the Municipalities of Mabini and Tingloy, Batangas. The Bantay Dagat is an organization that conducts regularly patrol in the municipal waters to ensure that there are no illegal fishing activities and encroachment of commercial fishers. To ensure that the students have adequate school supplies at the beginning of the school year, the First Gas group, FGHPC, FG Bukidnon Power Corporation, and First Gen Mindanao Hydro Power Corporatuon distributes school supplies to its host schools. A total of 12,413 students were provided with schools supplies and 273 teachers were provided with teaching supplies in 2013. The First Gas group also conducts Preventive Dental Health Care for Grade 1 students of its host schools to reduce absenteeism. According to the Department of Education, 9 out of 10 public school students suffer from tooth decay, the number 1 cause of absenteeism among students.	Sta. Rita Aplaya Elementary School (ES) and Sta. Rita Karsada E S, Batangas City Kalayaan ES, Pantabangan West Central School, Sampaloc ES, Masiway ES, Lower Tuli School, Pantabangan East Central School, Liberty ES, Salvacion Primary School, Villanueve ES, Napon-Napon ES, Cambitala ES, Tanawan Central School, Ganduz ES, Cadaclan ES, Marikit ES, San Juan ES, Conversion ES, and Pamalyan Cultural Minority School, Nueva Ecija San Juan ES and Galintuja ES, Ma. Aurora, Aurora Marikit East ES, Lublub Central School, Balintugon ES, Abuyo ES, Galintuja ES, Alfonso Castañeda, Nueva Vizcaya Imbatug ES, Liboran ES, Kili-og ES, Agusan Canyon Day Care, Balanban Day Care, Menzi Day Care, PCH Day care, Damilag Day Care, Miranda Day Care, Bukidnon Bangonay ES, Bangonay National High School, Cuyago ES, Cuyago National High School, Tagbuaya ES, Baleguian ES, Maraiging ES, Zapanta Valley Primary School, Alternative Learning System School, Agusan del Norte
Livelihood The First Gen group of companies provides skills training to qualified residents of the community to increase their employment opportunity. First Gas has provided 40 individuals with training on shielded metal arc, flux cord arc and gas tungsten arc welding training through the *"Tulong Upang Lumawak Angking Yaman (TULAY)"* Welding Training. Meanwhile, top 10 women graduates of the Basic Cosmetology Training in 2012 were provided with Level 2 training, which includes Basic Reflexology and Therapeutic Massage and Basic Facial Massage through the "Ganda Mo, Hanapbuhay Ko" in partnership with Ang Hortaleza Foundation. The First Gas Group has also assisted in the formation of the United Sta. Rita Cooperative (UNISCO) a joint cooperative of its 2 host communities. Through UNISCO, unskilled members of the cooperative are hired for maintenance work such as grass-cutting, janitorial and pantry services.	Barangay Sta. Rita Aplaya and Barangay Sta. Rita Karsada, Batangas City

A total of 119 (89%) individuals (vs. 133 individuals) of the total graduates of the skills training program now earn a living as skilled workers (welders, beauticians or small entrepreneurs) while 29 members of UNISCO were provided with employment.	
Four high school graduates from First Gen Hydro Power Corporation's host communities have completed tourism (2 students), metals and engineering (1 student) and construction (1 student) from the Energy Development Corporation's (EDC) Kananga-EDC Institute of Technology (KEITECH). Another 4 students are still undergoing the training on tourism (2 students), metals and engineering (1 student) and pipefitting (1 student).	Barangay Fatima, Pantabangan, Nueva Ecija
First Gen Mindanao Hydro Power Corp. has also committed to provide scholarships on technical-vocational education to qualified individuals from their host communities in Agusan del Norte. The same is also being considered for Bukidnon.	Agusan del Norte and Bukidnon
Environment The First Gen group of companies takes care of both of its terrestrial and marine environment through various conservation programs.	Batangas Province
Community Health and Safety Vital to ensuring the access to education of the student population of the host communities in each subsidiary is ensuring that the students receive proper nutrition. The First Gas Group and First Gen Hydro Power Corporation (FGHPC) conducts in-school feeding program for malnourished students in the host communities. A total of 578 malnourished children from 6 host schools were nourished through the "Gatas ay Biyaya at Yaman", milk feeding program of the First Gas Group and the Meal Feeding of FGHPC in partnership with the Parents Teachers Association in each host school.	Sta. Rita Aplaya Elementary School and Sta. Rita Karsada Elementary School, Batangas City Kalayaan Elementary School, Pantabangan West Central School, Sampaloc Elementary School, Masiway Elementary School, Pantabangan, Nueva Ecija
The First Gas Group also provides the residents of its host communities Barangays Sta. Rita Aplaya and Sta Rita Karsada with access to basic health care through the provision of community clinic, which has benefited 2,339 individuals in 2013. The Group also conducts dental and optical missions to neighboring host barangays which benefited 5,889 individuals.	Batangas City
Similarly, FGHPC, FG Bukidnon Power Corporation (FGBPC) and First Gen Mindanao Hydro Power Corporation (FGMHPC) conduct health missions to reach their far-flung host communities. The health missions have benefited 5,813 individuals through the medical and dental services provided in 2013. FGHPC also trains the Barangay Health Workers (BHWs) in their host barangays to equip them with the necessary skills as primary health responders. Fifteen elderly from First Gas Group and FGHPC communities were provided with free eye cataract operation through our sister company Asian Eye Institute (AEI).	Pantabangan, Nueva Ecija, Ma. Aurora, Aurora, Alfonso Castañeda, Nueva Vizcaya and Bukidnon
Disaster Relief and Social Interventions The First Gen group of companies also provides interventions for victims of calamities through disaster relief operations. The companies and their respective employees mobilize financial and in-kind donations distributed to victims of natural disasters through partner institutions like ABS-CBN Sagip Kapamilya. The First Gen Group of companies immediately sent relief assistance to victims of Typhoon Yolanda in 2013. Interventions for marginalized groups such as abused and abandoned children, street families, the elderly and the terminally ill are provided through the Group's Employee Volunteering Program dubbed Employee Power (EmPOWER). Through the program, provision of needs such as basic food supplies, hygiene kit, school supplies and education tours are given as applicable.	Nationwide
Arts and Culture The First Gen group also provides an institutional support to the Lopez Museum through the Eugenio Lopez Foundation, Inc. for the promotion, education and conservation of materials significant to our cultural heritage. The group also provides sponsorship for provincial and barangay cultural celebrations significant to its host communities.	Lopez Museum, Batangas Province, Pantabangan, Nueva Ecija, Ma. Aurora, Aurora, Alfonso Castañeda, Nueva Vizcaya Agusan del Norte and Bukidnon

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Under Section 5 of the company's Manual on Corporate Governance, the board is primarily accountable to the company and to the stockholders. The company's Compliance Officer monitors and ensures compliance with the Manual on Corporate Governance, the rules and regulations of regulatory agencies, and the principles and policies of good corporate governance. If any violation is found, he is tasked to report the matter to the board and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent the repetition of the violation. The Compliance Officer reports directly to the Chairman of the board.	The board should provide the Corporation and its stockholders a balanced and comprehensive assessment of the company's performance, position and prospects. The company continues to search ways and means to further improve its corporate governance structures. The company regularly reviews its existing policies and programs with the intention of further elevating the level of accountability of the directors.
Board Committees	The Audit Committee shall conduct an annual self-assessment of its performance and effectiveness and recommend, if necessary, changes to the charter.	The self-assessment shall be based on the completeness of the charter as to its compliance with regulatory requirements and actual implementation.
Individual Directors	Since a director's office is one of trust and confidence, under the Manual on Corporate Governance, the director must act in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the company towards sustained progress.	The Nomination and Governance Committee passes upon the qualifications of persons nominated for election as members of the board.
CEO/President	Since a director's office is one of trust and confidence, under the Manual on Corporate Governance, the director must act in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the company towards sustained progress.	Under Section 4 of the By-laws, the President shall annually present a report of the preceding year's business at the stockholder's meeting.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

Violations	Sanctions
A violation of any provision of the Manual on Corporate Governance by directors, management and employees of the company	Under the manual, the Compliance Officer shall monitor compliance with the provisions of the manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to

	the board and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent a repetition of the violation.
A violation of any provision of the Manual on Corporate Governance by directors, management and employees of the company	For non-compliance with the manual, the board of directors may impose appropriate sanctions or corrective actions, after notice and hearing. Sanctions may include censure, suspension and removal from office depending on the gravity of the offense and frequency of the violation.
A violation of any provision of the Manual on Corporate Governance by directors, management and employees of the company	A violation of any provision of the manual by a member of the board of directors shall be a sufficient cause for removal from directorship.

[SIGNATURE PAGE FOLLOWS]

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of _____ on_____, 2013.

SIGNATURES

FEDERICO R. LOPEZ
Chairman of the Board

FEDERICO R. LOPEZ
Chief Executive Officer

TONY TAN CAKTIONG
Independent Director

JAIME I. AYALA
Independent Director

VICTOR B. SANTOS JR.
Compliance Officer

SUBSCRIBED AND SWORN to before me this _____ day of May 2013, affiants exhibiting to me their Tax Identification Nos. as follows:

Name	Tax Identification No.
Federico R. Lopez	102-829-522
Tony Tan Caktiong	111-391-738
Jaime I. Ayala	204-153-026
Victor B. Santos Jr.	123-365-320

NOTARY PUBLIC

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of 2013.

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SECRETARY'S CERTIFICATE

I, Rachel R. Hernandez, of legal age, Filipino, duly elected Corporate Secretary of **FIRST GEN CORPORATION**, a corporation duly organized and existing under Philippine law, with principal offices at the 3rd Floor, Benpres Building, Exchange Road cor. Meralco Avenue, Pasig City (the "Corporation"), do hereby certify that the changes reflected in the Corporation's Annual Corporate Governance Report for the year 2014 consist of the following:

A. Board Matters (last updated in May 2014)
   1) Added new companies within the Group where the company's directors sit as a member of the board
   2) Updated table of information on directorships in other listed companies
   3) Updating shareholdings in the company
   4) Included information on orientation and education programs attended by the newest director
   5) Updated table of information on orientation and education programs attended by the members of the board of directors

B. Code of Business Conduct and Ethics

C. Board Meetings and Attendance (last updated in May 2014)
   1) Updated the table of board meetings held in 2014
   2) Updated the table of directors' attendance at board meetings held in 2014 (number of meetings held, number of meetings attended, and percentage of attendance)
   3) Included information on the amendment of the company's Manual on Corporate Governance to comply with SEC Memorandum Circular No. 9 (Series of 2014)

D. Remuneration Matters (last updated in May 2014)

E. Board Committees (last updated in May 2014)
   1) Updated the table of information on the Executive Committee (number of meetings held, attendance of the committee members, and length of service of its members)
   2) Updated the table of information on the Audit Committee (number of meetings held, attendance of the committee members, and length of service of its members)
   3) Deleted the profile of the former Audit Committee Chairman who held office until May 2013
   4) Updated the table of information on the Nomination and Governance Committee (number of meetings held, attendance of the committee members, and length of service of its members)
   5) Updated the table of information on the Compensation and Remuneration Committee (number of meetings held, attendance of the committee members, and length of service of its members)
   6) Updated the table of information on the Risk Management Committee (number of meetings held, attendance of the committee members, and length of service of its members)

F. Risk Management System

G. Internal Audit and Control (last updated in May 2014)
   1) Updated information on Internal Control Systems
   2) Updated the table of information on resignations of the internal audit staff
   3) Updated the table of information on Progress Against Plans, Issues, Findings and Examination Trends
   4) Updated the table of information on Audit Control Policies and Processes

H. Role of Stakeholders (last updated in May 2014)
   1) Updated the table of information on sick leaves availed of the company's employees
   2) Updated the table of information on training and development programs conducted for the Corporation's employees

I. Disclosure and Transparency (last updated in May 2014)
   1) Included information on the appointment of a Vice President in October 2014

J. Rights of Stockholders (last updated in May 2014)
   1) Updated the table of dividends declared by the Corporation

K. Investor Relations Program

L. Corporate Social Responsibility Initiatives (last updated in May 2014)

M. Board, Director, Committee and CEO Appraisal

N. Internal Breaches and Sanctions

IN WITNESS WHEREOF, I hereby affix my signature this JAN 12 2015 day of January 2015 in MAKATI CITY.

RACHEL R. HERNANDEZ
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JAN 12 2015 in MAKATI CITY, affiant exhibiting to me her CTC No. 6293178 issued on January 28, 2014 in Pasig City and SSS No. 33-1884894-8 as competent evidence of identity.

Doc. No. 26;
Page No. 6;
Book No. 8;
Series of 2015.

ATTY. RUBEN T.M. RAMIREZ
Notary Public
Until Dec. 31, 2016
2734 M. Aurora [illegible] Makati City
IBP No. 973[illegible] MCY-2015
PTR No. MKT 4750[illegible]-5-15 Makati City
Roll No. 2[illegible]47