

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

☐ Preliminary Information Statement  
☒ Definitive Information Statement

2. Name of Registrant as specified in its charter **FIRST GEN CORPORATION**

3. **Metro Manila, Philippines**  
Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **A1998-18260**

5. BIR Tax Identification Code **202-464-633**

6. **3<sup>rd</sup> Floor Benpres Building, Exchange Road cor. Meralco Avenue, Pasig City 1600**  
Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 449-6400**

8. Date, time and place of the meeting of security holders

**Date: May 13, 2015 (Wednesday)**  
**Time: 10:00 a.m.**  
**Place: The Rockwell Tent**  
**Plaza Garden**  
**Rockwell Center**  
**Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders **April 21, 2015**

10. In case of Proxy Solicitations: Name of Person Filing the Statement/Solicitor: **N/A**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

| Title of Class | Number of Shares of Common Stock Outstanding<br>(as of March 12, 2015) |
|----------------|------------------------------------------------------------------------|
| Common Stock   | 3,660,943,557                                                          |

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes **X** No \_\_\_\_\_

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**First Gen Corporation's common shares and Series "F" and "G" preferred shares are listed with the Philippine Stock Exchange, Inc. ("PSE").**

## INFORMATION REQUIRED IN INFORMATION STATEMENT

### **WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

#### **A. GENERAL INFORMATION**

##### **Item 1. Date, time and place of meeting of security holders.**

The Annual General Meeting of FIRST GEN CORPORATION ("First Gen" or the "Corporation") will be held at 10:00 a.m. on **May 13, 2015** at The Rockwell Tent, Plaza Garden, Rockwell Center, Makati City. The complete mailing address of the registrant is:

**FIRST GEN CORPORATION**  
*3<sup>rd</sup> Floor, Benpres Building*  
*Exchange Road cor. Meralco Avenue*  
*Pasig City 1600*

This Information Statement is expected to first be sent or given to stockholders of record (March 4, 2015) approximately on or before April 21, 2015.

##### **Item 2. Dissenters' Right of Appraisal**

Pursuant to Section 81 of the Corporation Code of the Philippines, any stockholder of the Corporation shall have the right to dissent and demand payment of the fair value of his shares in any of the following instances:

- a) In case any amendment to the Articles of Incorporation 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;
- b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and
- c) In case of merger or consolidation.

The stockholders will be requested to approve the proposed amendment to the Seventh Article of the Amended Articles of Incorporation to increase the Corporation's authorized capital stock from ₱8.6 billion to ₱10.2 billion by way of creating 160 million Series "H" preferred shares with a par value of ₱10.00 per share.

A stockholder who voted against the proposed action and who wishes to exercise such right must make a written demand, within thirty (30) days after the date of the meeting or when the vote was taken, for the payment of the fair market value of his shares. Failure to make a demand within such period shall be deemed a waiver of the appraisal right. The value shall be determined as of the day prior to the date when the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. Upon payment, the dissenting stockholder must surrender his certificate of stock. No payment shall be made to a dissenting stockholder unless the Corporation has unrestricted retained earnings in its books to cover such payment. Within ten (10) days after demanding payment for his shares, a dissenting stockholder shall submit to the Corporation the certificate(s) of stock representing his shares for notation that the shares are dissenting shares.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- a) Each person who has been a director or officer of the Corporation at any time since the beginning of the last fiscal year, each nominee for election as a director of the Corporation, and each associate of the foregoing persons, has no substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office. The nominees may, however, own shares in the Corporation but they will not be receiving any extra or special benefit by reason of the matters to be acted upon other than what may be shared on a *pro rata* basis by all holders of the same class.
- b) No director has informed the Corporation in writing of his intention to oppose the actions, motions and/or matters to be taken up at the meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

- a) As of March 12, 2015, the registrant's outstanding shares consist of 3,660,943,557 common shares, of which 504,656,441 shares (13.78%) are held by foreigners; 1,000,000,000 Series "B" and 468,553,892 Series "E" voting preferred shares, none of which is held by foreigners; 100,000,000 Series "F" non-voting preferred shares, of which 1,000 shares (0.0010%) are held by foreigners; and 133,750,000 Series "G" non-voting preferred shares, of which 142,700 shares (0.1067%) are held by foreigners.

Holders of common shares and Series "B" and "E" voting preferred shares shall be entitled to one (1) vote for each share of stock held as of the record date of March 4, 2015. Holders of Series "F" and "G" non-voting preferred shares shall be entitled to one (1) vote for each share of stock held as of the record date of March 4, 2015 on the matter of the proposed amendment to the Seventh Article of the Amended Articles of Incorporation to increase the authorized capital stock from ₱8.6 billion to ₱10.2 billion by way of creating 160 million Series "H" preferred shares with a par value of ₱10.00 per share.

- b) A stockholder entitled to vote at the meeting shall have the right to vote in person or by proxy. With respect to the election of directors, in accordance with Section 24 of the Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected or he may distribute them on the same principle among as many candidates as he shall see fit; provided, however, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. There is no condition precedent to the exercise of the stockholders' right to cumulative voting. The Corporation is not soliciting any proxy or any discretionary authority to cumulate votes.
- c) Security Ownership of Certain Record and 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:

**COMMON SHARES:**

| <b>Title of Class</b> | <b>Name, Address of Record Owner and Relationship with Issuer</b>                                                                                 | <b>Name of Beneficial Owner and Relationship with Record Owner</b>           | <b>Citizenship</b>      | <b>No. of Shares Held</b>      | <b>Percentage to Common Shares</b> |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-------------------------|--------------------------------|------------------------------------|
| Common                | FPH<br>4 <sup>th</sup> Floor Benpres Building<br>Exchange Road cor.<br>Meralco Avenue, Pasig<br>City<br><br>FPH is the parent of the Corporation. | FPH is the record and beneficial owner of the shares indicated. <sup>1</sup> | Filipino                | 2,424,990,159                  | 66.24%                             |
| Common                | PCD Nominee Corp.<br>37 <sup>th</sup> Floor Tower 1, The<br>Enterprise Center, 6766<br>Ayala Ave. cor. Paseo de<br>Roxas, Makati City             | Various                                                                      | Filipino<br><br>Foreign | 685,776,772<br><br>504,437,823 | 18.73%<br><br>13.78%               |
|                       | <b>Owner of more than 5% under PCD Nominee Corp.</b>                                                                                              |                                                                              |                         |                                |                                    |
| Common                | Deutsche Bank Manila-Clients A/C<br>26 <sup>th</sup> Floor Ayala Tower<br>One Ayala Triangle<br>Makati City <sup>2</sup>                          | Various                                                                      | Foreign                 | 259,228,927                    | 7.08%                              |

**PREFERRED SHARES:**

| <b>Title of Class</b>                    | <b>Name, Address of Record Owner and Relationship with Issuer</b> | <b>Name of Beneficial Owner and Relationship with Record Owner</b> | <b>Citizenship</b> | <b>No. of Shares Held</b> | <b>Percentage to Voting Preferred Shares</b>     |
|------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------|--------------------|---------------------------|--------------------------------------------------|
| 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%                                          |
| <b>Title of Class</b>                    | <b>Name, Address of Record Owner and Relationship with Issuer</b> | <b>Name of Beneficial Owner and Relationship with Record Owner</b> | <b>Citizenship</b> | <b>No. of Shares Held</b> | <b>Percentage to Non-Voting Preferred Shares</b> |
| 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.<br>(Filipino)                                   | Various                                                            | Filipino           | 45,125,000                | 19.30%                                           |

<sup>1</sup> The following have been appointed proxies of FPH to represent it and vote its shares during the annual general meeting: Federico R. Lopez or, his absence, Elpidio L. Ibañez or Francis Giles B. Puno.

<sup>2</sup> Deutsche Bank Manila – Clients A/C is a participant of the Philippine Central Depository, Inc. (PCD). None of its clients holds more than 5% of First Gen's capital stock.

| <b>Title of Class</b>                  | <b>Name, Address of Record Owner and Relationship with Issuer</b> | <b>Name of Beneficial Owner and Relationship with Record Owner</b> | <b>Citizenship</b> | <b>No. of Shares Held</b> | <b>Percentage to Non-Voting Preferred Shares</b> |
|----------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------|--------------------|---------------------------|--------------------------------------------------|
| 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 Preferred Shares (Series G) | PCD Nominee Corp. (Filipino)                                      | Various                                                            | Filipino           | 81,303,050                | 34.78%                                           |

|                                        | <b>Owner of more than 5% under PCD Nominee Corp.</b>                                                  |         |          |            |        |
|----------------------------------------|-------------------------------------------------------------------------------------------------------|---------|----------|------------|--------|
| Non-Voting Preferred Shares (Series G) | BDO Securities Corporation<br>27 <sup>th</sup> Floor 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:

| <b>Title of Class</b> | <b>Name of Beneficial Owner</b> | <b>Amount and Nature of Beneficial Ownership</b> | <b>Citizenship</b> | <b>Percentage to Common Shares</b> |
|-----------------------|---------------------------------|--------------------------------------------------|--------------------|------------------------------------|
| 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                | Dominic M. 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 Articles of Incorporation or By-Laws which will delay, defer, or in any manner prevent a change in control of the Corporation. However, First Philippine Holdings Corp. is the sole holder of the Corporation's Series "B" and "E" voting preferred shares, which are entitled to full voting rights under the Corporation's Articles of Incorporation. The said 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, is not in competition with First Philippine Holdings Corp. or any of its affiliates.

**Item 5. Directors and Executive Officers**

a) Board of Directors, Executive Officers and Nominees

- (1) The Corporation's Amended Articles of Incorporation provide for nine (9) seats in the board of directors. The Corporation is required to have at least two (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 one (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 | Month and Year<br>Position was<br>Assumed |
|-----------------------|-------------|----------------------|-----|-------------------------------------------|
| Oscar M. Lopez        | Filipino    | Chairman Emeritus    | 85  | December 1998                             |
| Federico R. Lopez     | Filipino    | Chairman             | 53  | December 1998                             |
| Francis Giles B. Puno | Filipino    | Director             | 50  | August 2005                               |
| Richard B. Tantoco    | Filipino    | Director             | 48  | August 2005                               |
| Peter D. Garrucho Jr. | Filipino    | Director             | 71  | December 1998                             |
| Elpidio L. Ibañez     | Filipino    | Director             | 64  | December 1998                             |
| Eugenio L. Lopez III  | Filipino    | Director             | 62  | September 2009                            |
| Tony Tan Caktiong     | Filipino    | Independent Director | 62  | April 2005                                |
| Jaime I. Ayala        | Filipino    | Independent Director | 53  | May 2013                                  |

Following are the profiles of the members of the board of directors, including directorships in publicly-listed companies:

**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 First Philippine Holdings Corp. ("FPH"), Energy Development Corporation ("EDC"), and Rockwell Land Corporation ("RLC"). He sits in the boards of publicly-listed companies Lopez Holdings Corporation, formerly Benpres Holdings Corporation ("Lopez Holdings") 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 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 RLC, both of which are listed companies. He is also the Treasurer of Lopez Holdings. 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 RLC. 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 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 RLC, Vice Chairman of Lopez Holdings, 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.

Article II, Section 3 of the Corporation's By-Laws provides that all nominations for the election of directors by the stockholders shall be submitted in writing to the board of directors and be received at the Corporation's principal place of business at least thirty (30) working days before the date of the regular or special meeting of the stockholders for the purpose of electing directors. Under the Corporation's revised Manual on Corporate Governance, the Nomination and Governance

Committee (“NGC”) is tasked to review and evaluate the qualifications of all persons nominated to the board of directors. The NGC, which is headed by Chairman Federico R. Lopez with Director Richard B. Tantoco and Independent Director Tony Tan Caktiong as members, received the nominations for regular and independent directors within the prescribed period. The NGC passed upon the qualifications of the nominees and found no disqualifications as provided in the By-Laws and the revised Manual on Corporate Governance, and, with respect to the nominees for independent directors Mr. Tan Caktiong and Mr. Ayala, Rule 38 of the Securities Regulation Code (“SRC”). Mr. Tan was nominated by Mr. Jason Kyle M. Sarenas while Mr. Ayala was nominated by Mr. Ronald A. Cuizon. Neither Mr. Sarenas nor Mr. Cuizon has any relation to Mr. Tan or Mr. Ayala, respectively.

In accordance with Rule 38 of the SRC, no further nominations shall be entertained or allowed on the floor during the Annual General Meeting, as the final list of candidates will be the basis for the election of the independent directors. The chairman of the meeting will inform the stockholders in attendance of the requirements for electing independent directors. In the event of a failure to elect independent directors at the said meeting of the stockholders, the chairman of the meeting shall call for a separate election during the same meeting to fill up the vacancy.

Below are the persons comprising the Corporation’s senior management and their respective profiles:

| <b>Officer</b>               | <b>Nationality</b> | <b>Position</b>                 | <b>Age</b> | <b>Year Position was Assumed</b>                     |
|------------------------------|--------------------|---------------------------------|------------|------------------------------------------------------|
| 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                                                 |
| Dominic 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, VP 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           | VP & 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 6<sup>th</sup> 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. 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 4<sup>th</sup> in the 1998 Mechanical Engineering board examination.

**Ramon J. Araneta**, born August 13, 1960, Filipino, is a Vice-President of the Company. Mr. Araneta holds a Bachelor of Arts degree in Economics from Ateneo de Manila University (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 1<sup>st</sup> 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 6<sup>th</sup> 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 3<sup>rd</sup> 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 (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 a Vice President and 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

First Gen 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 1<sup>st</sup> 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 five (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:

- 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 two (2) years prior to that time;
- 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). Please be informed that the company's directors were impleaded as respondents in a complaint entitled "*West Tower Condominium Corporation vs. Leonides Garde, et al.*" which is discussed in the notes to the Corporation's audited consolidated financial statements; however, the company believes that this does not affect the integrity and ability of the directors;
- 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
- Any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC 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.

(5) Certain Relationships and Related Transactions

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.

The following are the other significant transactions with related parties:

- Due to related parties represent non-interest-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.
- The First Gen group of companies leases its office premises, where its corporate offices are located, from First Philippine Realty Corporation, a subsidiary of FPH.
- First Gen is engaged as a consultant of EDC to render services pertaining to financial, business development and other matters under a Consultancy Agreement which commenced in September 2008. This agreement had an initial term of three (3) years or up to August 2011, which was extended by the parties to 2012. In January 2013, First Gen and EDC agreed to further extend the term of the agreement for two (2) years from January 1, 2013 to December 31, 2014.

- Intercompany Guarantees

During the May 12, 2014 Annual General Meeting of the Corporation, the stockholders approved the confirmation, ratification and approval of the authority of First Gen, pursuant to Clause (i) of the Second Article of the Corporation'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 First NatGas Power Corp. ("FNPC"), which is the operating company of the 414 MW San Gabriel plant, and Prime Meridian Powergen Corporation ("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 First Gen and its relevant subsidiary. FNPC is the operating company of the 414 MW San Gabriel power plant, while PMPC is the operating company of the 97 MW Avion power plant.

Pursuant to such authority, the Corporation guaranteed the payment to the Board of Investments by FNPC and PMPC 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 for the San Gabriel and Avion power plants. The Corporation likewise guaranteed FNPC's punctual performance of its payment obligations under the Export Credit Facility loan agreement with KfW IPEX-Bank of Germany.

Further details on the above matters may be found in Note 19 to the audited consolidated financial statements (Exhibit "B").

- b) Since the date of the last annual general meeting, no director has resigned or declined to stand for re-election to the board of directors because of a disagreement with the Corporation on matters relating to First Gen's operations, policies and practices.

**Item 6. Compensation of Directors and Executive Officers**

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

| <b>Name and Position</b>                                                           | <b>Year</b>        | <b>Salary<br/>(in PHP)</b> | <b>Bonus/Other<br/>Income (in PHP)</b> |
|------------------------------------------------------------------------------------|--------------------|----------------------------|----------------------------------------|
| Federico R. Lopez<br>Chairman and CEO                                              |                    |                            |                                        |
| Francis Giles B. Puno<br>President and COO                                         |                    |                            |                                        |
| Richard B. Tantoco<br>Executive Vice President                                     |                    |                            |                                        |
| Jonathan Russell<br>Executive Vice President                                       |                    |                            |                                        |
| Victor B. Santos Jr.<br>SVP and Compliance Officer                                 |                    |                            |                                        |
| CEO and the 4 most highly<br>compensated officers named above                      | 2013               | 133,245,362                | 203,430,750                            |
|                                                                                    | 2014               | 160,029,000                | 265,764,455                            |
|                                                                                    | 2015<br>(estimate) | 175,266,180                | 133,337,664                            |
| Aggregate compensation paid to all<br>officers and directors as a group<br>unnamed | 2013               | 273,846,100                | 320,948,974                            |
|                                                                                    | 2014               | 320,450,944                | 379,188,484                            |
|                                                                                    | 2015<br>(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 Corporation does not have any compensatory plan or arrangement that results or will result from the resignation, retirement, or 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 Corporation's Retirement Plan.

- d) **Warrants and Options Outstanding**

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<br>(from Listing Date to Option Expiration Date) |
|-------------------------------------------------------------------------------------|---------------|-----------------------|------------------------------------|----------|----------------------|-----------------------------------------------------------------------------|
| Federico R. Lopez<br>Chairman and CEO                                               |               |                       |                                    |          |                      |                                                                             |
| Francis Giles B. Puno<br>President and COO                                          |               |                       |                                    |          |                      |                                                                             |
| Richard B. Tantoco<br>Executive Vice President                                      |               |                       |                                    |          |                      |                                                                             |
| Jonathan Russell<br>Executive Vice President                                        |               |                       |                                    |          |                      |                                                                             |
| Victor B. Santos Jr.<br>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                                                                      |

#### Item 7. Independent Public Accountants

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 2014 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.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

### **Item 11. Financial and Other Information**

The following documents are attached to this information statement:

- Exhibit “A”-** Management Report
- Exhibit “B”-** Audited Consolidated Financial Statements for the years ended December 31, 2014 and 2013
- Exhibit “C”-** Index to Consolidated Financial Statements and Supplementary Schedules (SRC Rule 68, as amended 2011)
- Exhibit “D”-** Report of the Audit Committee for 2014

## **D. OTHER MATTERS**

### **Item 15. Action with Respect to Reports**

The minutes of the Annual General Meeting held on May 12, 2014 will be presented for approval by the stockholders. Such action on the part of the stockholders will not constitute approval or disapproval of the matters referred to in the said minutes since stockholder approval and action on those items were already obtained during the said meeting. These matters are listed below:

- a) Minutes of the Annual General Meeting held on May 8, 2013;
- b) Annual report of the President and Chief Operating Officer pertaining to the Corporation's financial and operating results;
- c) Audited consolidated financial statements of the Corporation for the years ended December 31, 2013 and 2012;
- d) All corporate acts and resolutions from the 2013 Annual General Meeting up to the date of the meeting;
- e) Election of members of the board of directors for the period 2014-2015;
- f) Appointment of SGV as the Corporation's external auditors for 2014-2015;
- g) Amendment to the Third Article of the Amended Articles of Incorporation to change the principal office from “Metro Manila, Philippines” to “3<sup>rd</sup> Floor Benpres Building, Exchange Road cor. Meralco Avenue, Pasig City, Philippines” in compliance with Securities and Exchange Commission Memorandum Circular #6 (Series of 2014);
- h) Authority to the company, pursuant to Clause (i) of the Second Article of the Amended Articles of Incorporation, 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; and
- i) All corporate acts and resolutions of the board of directors and management of the Corporation from and including the Annual General Meeting held on May 8, 2013 up to the date of the meeting. Such acts were adopted in the ordinary course of business.

### **Item 17. Amendment of Charter, Bylaws or Other Documents**

During the Annual General Meeting to be held on May 13, 2015, the stockholders will be asked to ratify the resolutions of the board of directors proposing the amendment of the Seventh Article of the Amended Articles of Incorporation to increase the authorized capital stock from Eight Billion Six Hundred Million Pesos (₱8,600,000,000.00) to Ten Billion Two Hundred Million Pesos

(₱10,200,000,000.00) by way of creating One Hundred Sixty Million (160,000,000) Series “H” preferred shares with a par value of Ten Pesos (₱10.00) per share and the following features: issue value and dividend rate to be determined by the board of directors at the time of issuance; entitled to cumulative dividends; non-voting except in the cases provided by law; non-participating; redeemable at the option of the company; and in the event of liquidation, dissolution, distribution of assets or winding up of the company, entitled to be paid at their issue value plus any accrued and unpaid dividends thereon.

**Item 18. Other Proposed Actions**

In addition to the approval of the minutes of the May 12, 2014 Annual General Meeting and the proposed amendment to the Seventh Article of the Amended Articles of Incorporation, actions will be taken with regard to the following matters:

- a) Annual Report of Officers and Audited Consolidated Financial Statements for the years ended December 31, 2014 and 2013;
- b) Ratification of all corporate acts and resolutions of the board of directors and management of the Corporation from and including the Annual General Meeting held on May 12, 2014 up to the date of the meeting. Such acts were adopted in the ordinary course of business and include the following:
  - (1) Election of officers of the Corporation for 2014-2015;
  - (2) Designation of members of board committees for 2014-2015;
  - (3) Extension of the common share buyback program for another 2 years or from June 1, 2014 to May 31, 2016 - The share buyback program will cover up to 300 million of the company's common shares. The number of shares and buyback period are subject to revision by the board of directors from time to time as circumstances may warrant, subject to proper disclosures to regulatory agencies. The program will not involve active and widespread solicitation from stockholders in general, and not adversely affect the company's prospective and existing development projects. The program will be executed in open market through the trading facilities of the Philippine Stock Exchange, Inc., and be implemented under the supervision of the company's Chairman/Chief Executive Officer, President/Chief Operating Officer, and Senior Vice President/Chief Financial Officer. The company will undertake a buyback transaction only if and to the extent that the price per share is deemed extremely undervalued, share prices are considered highly volatile, or in any other instance where the company believes that a buyback will result in enhancing shareholder value.
  - (4) Approval of a 2-year buyback program from June 1, 2014 to May 31, 2016 covering the repurchase of up to ₱5 Billion worth of Series “F” and “G” preferred shares from the open market.
  - (5) Purchase by the Corporation of 31 million voting preferred shares of stock of Prime Terracota Holdings Corp. (“Prime Terracota”) owned by the Employees’ Retirement Plan of Lopez, Inc. (Lopez Inc. Retirement Fund) (“LIRF”) - Prime Terracota is the effective 60% voting / 40% economic owner of EDC through its subsidiary Red Vulcan Holdings Corporation. With this purchase, First Gen’s

voting stake in Prime Terracota will increase from 45% to 73%, and its effective voting interest in EDC will increase from 33.6% to 50.7%.

- (6) Declaration of cash dividends on the company's Series "F" and "G" preferred shares as follows: ₱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 July 1, 2014 and a payment date of July 25, 2014.
- (7) 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.
- (8) Approval by the board of directors of the: (i) appointment of Mr. Julicer A. Alvis as Vice President; and (ii) declaration of cash dividends on the Corporation's issued and outstanding common shares at ₱0.35 per share. The cash dividends have a record date of October 16, 2014 and a payment date of October 30, 2014.
- (9) Declaration of 2015 cash dividends on the company's 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 5, 2015 and a payment date of January 26, 2015.
- (10) Issuance and sale of an aggregate of 297,029,800 common shares to be taken from First Gen's unissued capital stock and treasury stock at an identical issue price of ₱25.25 per share, which represents a 2.9% discount to the last traded price of ₱26.00 per share - The placement was conducted via an accelerated bookbuilding process, and FPH agreed to subscribe to its pro rata share in the transaction. The Corporation will issue to FPH 179,127,900 common shares from treasury stock as well as 17,623,100 common shares from unissued capital stock, at the said price. Following the subscription, FPH will maintain its 66.2% stake in First Gen's issued and outstanding common stock. The sale of shares from First Gen's treasury stock was made in reliance on Regulation S under the US Securities Act of 1933, as amended. Deutsche Bank AG acted as Sole Bookrunner for the transaction.
- (11) Approval by the board of directors of the details of the 2015 Annual General Meeting.
- (12) Approval by the board of directors of the following: proposed amendment to the Seventh Article of the Amended Articles of Incorporation to increase the authorized capital stock from ₱8.6 billion to ₱10.2 billion by way of creating 160 million Series "H" preferred shares with a par value of ₱10.00 per share; Audited Consolidated Financial Statements for the years ended December 31, 2014 and 2013; appointment of SyCip Gorres Velayo & Co. as the company's external auditors for

2015-2016; and nominations of the current directors for re-election to the board of directors for the period 2015-2016 and until the election and qualification of their successors, all of which will be submitted for stockholders' approval during the May 13, 2015 annual general meeting.

- c) Election of the members of the board of directors for the period 2015-2016 and until the election and qualification of their successors; and
- d) Election of SyCip Gorres Velayo & Co. as the company's external auditors for 2015-2016.

**Item 19. Voting Procedures**

- a) The vote required for each item proposed for approval by the stockholders is as follows:
  - (1) With respect to the election of directors, the two (2) nominees for independent directors who get the highest number of votes shall be declared elected independent directors of the Corporation. For regular directors, seven (7) of the nominees who receive the highest number of votes shall be declared elected regular directors of the Corporation.
  - (2) With regard to the proposed amendment to the Seventh Article of the company's Amended Articles of Incorporation to increase the authorized capital stock from ₱8.6 billion to ₱10.2 billion by way of creating 160 million Series "H" preferred shares with a par value of ₱10.00 per share, a vote of at least 2/3 of the outstanding capital stock is required. In accordance with Section 6 of the Corporation Code of the Philippines, holders of non-voting Series "F" and "G" preferred shares as of the record date of March 4, 2015 shall be entitled to vote on this item.
  - (3) For all other matters to be taken up, the affirmative vote of the stockholders representing a majority of the outstanding capital stock of the Corporation is sufficient.

In the case of proxies, the votes shall be cast in such manner and by such person as directed in the proxy.

- b) The manner of voting is non-cumulative, except as to the election of directors. On the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate such shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, however, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

Unless required by law or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot. Votes shall be counted under the supervision and control of the Corporate Secretary who shall count 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, Securities Transfer Services, Inc., and external auditor SGV.

**Undertaking to Provide Annual Report**

Upon written request of a stockholder, the Corporation undertakes to furnish said stockholder, without charge, a copy of its Annual Report on SEC Form 17-A. Such written request may be addressed to:

**MR. VICTOR B. SANTOS JR.**  
**Senior Vice President and Compliance Officer**  
**First Gen Corporation**  
**3<sup>rd</sup> Floor, Benpres Building**  
**Exchange Road corner Meralco Avenue**  
**Pasig City, Philippines 1600**

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete, and correct. This report is signed in Pasig City on April 14, 2015.

**FIRST GEN CORPORATION**

By:   
**RACHEL R. HERNANDEZ**  
Corporate Secretary



## **NOTICE OF 2015 ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of **FIRST GEN CORPORATION** will be held at The Rockwell Tent, Plaza Garden, Rockwell Center, Makati City on Wednesday, **May 13, 2015** at **10:00 a.m.** Following is the agenda<sup>1</sup> of the meeting:

1. Call to Order
2. Determination of Quorum
3. Approval of the Minutes of the May 12, 2014 Annual General Meeting
4. Annual Report and Audited Consolidated Financial Statements
5. Ratification of the Acts and Resolutions Adopted by the Board of Directors and Management During the Preceding Year
6. Election of Directors (Including Independent Directors)
7. Election of External Auditors
8. Amendment to the Seventh Article of the Articles of Incorporation to Increase the Authorized Capital Stock from **₱8.6 billion** to **₱10.2 billion** by Creating 160 Million Series "H" Preferred Shares with a Par Value of **₱10.00** Per Share
9. Consideration of Such Other Business as May Properly Come Before the Meeting
10. Adjournment

Only stockholders of record at the close of business on **March 4, 2015** are entitled to notice of, and vote at, the meeting.

Pasig City, April 6, 2015.

By Order of the Board of Directors:

**RACHEL R. HERNANDEZ**  
Corporate Secretary

*The Corporation is not soliciting proxies; however, a draft general proxy form is hereto attached for the convenience of stockholders who may wish to appoint a proxy for the meeting. Pursuant to the By-Laws of the Corporation, a written proxy should be submitted to the Corporate Secretary no later than May 5, 2015.*

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<sup>1</sup> An explanation for each item on the agenda may be found on the next page.

## **EXPLANATION OF AGENDA ITEMS**

Approval of the Minutes of the May 12, 2014 Annual General Meeting – The minutes of the previous stockholders' meeting is available at the Corporation's website [www.firstgen.com.ph](http://www.firstgen.com.ph). Copies of the minutes will be distributed to the stockholders before the meeting. A resolution on this item requires the approval of a majority of the votes of the stockholders present and eligible to vote.

Annual Report and Audited Consolidated Financial Statements – The financial statements as of December 31, 2014 will be presented for the approval of the stockholders. Prior thereto, the Corporation's Chairman/Chief Executive Officer and President/Chief Operating Officer will deliver a report to the stockholders on the company's performance in 2014, as reflected in the audited financial statements, and outlook for 2015. The audited financial statements will be attached to the Information Statement which will be sent to eligible stockholders pursuant to the requirements of the Securities Regulation Code. A resolution on this agenda item requires the approval of a majority of the votes of the stockholders present and eligible to vote.

Ratification of the Acts and Resolutions of the Board of Directors and Management – This agenda item covers all acts and resolutions adopted by the board of directors and management since the May 12, 2014 annual general meeting until May 13, 2015. Resolutions of the board of directors include approvals of various projects, contracts, agreements, investments, appointments, and other matters duly disclosed to the Philippine Stock Exchange, Inc. and the Securities and Exchange Commission in accordance with applicable disclosure rules. Acts of management comprise those activities which were taken to carry out the resolutions of the board of directors, and those performed in the ordinary course of business. A resolution on this agenda item requires the approval of a majority of the votes of the stockholders present and eligible to vote.

Election of Directors (Including Independent Directors) – Pursuant to the Corporation's By-Laws, Manual on Corporate Governance, and applicable rules of the Securities and Exchange Commission, any stockholder, including minority stockholders, may submit nominations for the election of directors. Nominations should be received at least 30 working days prior to the date of the meeting where such election is to be held, or by March 26, 2015. The Nomination and Governance Committee received nominees for directors within the prescribed period and found such nominees to have all the qualifications and none of the disqualifications to serve as directors. The names of the nominees and their respective profiles, including directorships in listed companies, will be duly indicated in the Information Statement. Election of directors will be done by plurality of votes using cumulative voting.

Election of External Auditors – The Corporation's Audit Committee has recommended the re-election of SyCip Gorres Velayo & Co. as external auditors for the current year. The profile of the firm will be duly indicated in the Information Statement. A resolution on this agenda item requires the approval of a majority of the votes of the stockholders present and eligible to vote.

Amendment to the Seventh Article of the Articles of Incorporation – The stockholders will be asked to ratify the resolutions of the board of directors proposing the amendment to the Seventh Article of the Articles of Incorporation to increase the authorized capital stock from ₱8.6 billion to ₱10.2 billion by creating 160 million Series "H" preferred shares with a par value of ₱10.00 per share. The amendment will provide the Corporation increased financial flexibility to engage in fund raising activities in the future. A resolution on this item requires the vote of at least 2/3 of the Corporation's outstanding capital stock.

Consideration of Such Other Business as May Properly Come Before the Meeting – The Chairman of the meeting will open the floor for any comments, questions or points of clarification from the stockholders.

DRAFT

**PROXY**

The undersigned stockholder hereby nominates, constitutes and appoints \_\_\_\_\_ as his/her/its proxy to attend the 2015 Annual General Meeting of **FIRST GEN CORPORATION** which will be held on **May 13, 2015** at The Rockwell Tent, Plaza Garden, Rockwell Center, Makati City, and at any adjournments and postponements thereof, and to vote the shares of the said stockholder.

Should any other matter properly come before the meeting which may require the vote of the stockholders, the undersigned stockholder hereby confers discretionary authority upon the designated proxy to vote in the manner he/she/it may deem fit for said stockholder.

This Proxy revokes and supersedes any proxy or proxies the undersigned may have previously executed.

\_\_\_\_\_  
**Printed Name of Stockholder**

\_\_\_\_\_  
**Signature of Stockholder/  
Authorized Signatory**

\_\_\_\_\_  
**Date**

Pursuant to the By-Laws of the Corporation, a written proxy should be submitted to the Corporate Secretary not less than six (6) business days prior to the date of the meeting, or no later than May 5, 2015. Notarization of proxy is not required.

# **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 Terracotta 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<br>(Amounts in USD thousands) | For the years ended December 31 |                  |                       |
|-------------------------------------------------------------------------|---------------------------------|------------------|-----------------------|
|                                                                         | 2014                            | 2013             | 2012<br>(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             |
| <b>Net income attributable to Equity Holders of the Parent Company</b>  | <b>\$193,155</b>                | <b>\$118,077</b> | <b>\$189,834</b>      |

| Audited Consolidated Statements of Financial Position<br>(Amounts in USD thousands) | As of the years ended December 31 |                    |                       |
|-------------------------------------------------------------------------------------|-----------------------------------|--------------------|-----------------------|
|                                                                                     | 2014                              | 2013               | 2012<br>(As restated) |
| <b>ASSETS</b>                                                                       |                                   |                    |                       |
| 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               |
| <b>Total Assets</b>                                                                 | <b>\$5,287,275</b>                | <b>\$4,914,094</b> | <b>\$4,713,521</b>    |
| <b>LIABILITIES AND EQUITY</b>                                                       |                                   |                    |                       |
| 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                |
| <b>Total Liabilities</b>                                                            | <b>3,374,669</b>                  | <b>3,184,227</b>   | <b>2,891,627</b>      |
| 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               |
| <b>Total Equity</b>                                                                 | <b>1,912,606</b>                  | <b>1,729,867</b>   | <b>1,821,894</b>      |
| <b>Total Liabilities and Equity</b>                                                 | <b>\$5,287,275</b>                | <b>\$4,914,094</b> | <b>\$4,713,521</b>    |

## 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.<br>2013 | 2014 vs.<br>2013 | 2014              | 2013         |
| <b>Revenues from sale of electricity</b>                                           | \$1,902,630         | \$1,904,919      | (\$2,289)        | -0.1%            | 100.0%            | 100.0%       |
| <b>TOTAL REVENUES</b>                                                              | 1,902,630           | 1,904,919        | (2,289)          | -0.1%            | 100.0%            | 100.0%       |
| <b>OPERATING EXPENSES</b>                                                          |                     |                  |                  |                  |                   |              |
| 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%       |
| <b>FINANCIAL INCOME (EXPENSE)</b>                                                  |                     |                  |                  |                  |                   |              |
| 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%        |
| <b>OTHER INCOME (CHARGES)</b>                                                      |                     |                  |                  |                  |                   |              |
| 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%        |
| <b>INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS</b>                         | <b>396,118</b>      | <b>229,314</b>   | <b>166,804</b>   | <b>72.7%</b>     | <b>20.8%</b>      | <b>12.0%</b> |
| <b>Provision for (benefit from) Income Tax</b>                                     |                     |                  |                  |                  |                   |              |
| 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%         |
| <b>NET INCOME</b>                                                                  | <b>\$318,098</b>    | <b>\$167,595</b> | <b>\$150,503</b> | <b>89.8%</b>     | <b>16.7%</b>      | <b>8.8%</b>  |
| <b>Net income attributable to:</b>                                                 |                     |                  |                  |                  |                   |              |
| 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.

| <b>Amount in USD thousands</b>                                                                     | <b>2014</b>      | <b>2013<br/>(As adjusted)</b> |
|----------------------------------------------------------------------------------------------------|------------------|-------------------------------|
| 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)                         |
| <b>Recurring Net Income attributable to Parent Company</b>                                         | <b>\$153,348</b> | <b>\$151,191</b>              |

# **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<br>December 31 |                    | HORIZONTAL ANALYSIS |                  | VERTICAL ANALYSIS |               |
|--------------------------------------------------------------------------|--------------------------------------|--------------------|---------------------|------------------|-------------------|---------------|
|                                                                          | 2014                                 | 2013               | 2014 vs.<br>2013    | 2014 vs.<br>2013 | 2014              | 2013          |
| <b>ASSETS</b>                                                            |                                      |                    |                     |                  |                   |               |
| <b>Current Assets</b>                                                    |                                      |                    |                     |                  |                   |               |
| 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%          |
| <b>Total Current Assets</b>                                              | <b>1,219,225</b>                     | <b>1,376,178</b>   | <b>(156,953)</b>    | <b>-11.4%</b>    | <b>23.1%</b>      | <b>28.0%</b>  |
| <b>Noncurrent Assets</b>                                                 |                                      |                    |                     |                  |                   |               |
| 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%          |
| <b>Total Noncurrent Assets</b>                                           | <b>4,068,050</b>                     | <b>3,537,916</b>   | <b>530,134</b>      | <b>15.0%</b>     | <b>76.9%</b>      | <b>72.0%</b>  |
| <b>TOTAL ASSETS</b>                                                      | <b>\$5,287,275</b>                   | <b>\$4,914,094</b> | <b>\$373,181</b>    | <b>7.6%</b>      | <b>100.0%</b>     | <b>100.0%</b> |
| <b>LIABILITIES AND EQUITY</b>                                            |                                      |                    |                     |                  |                   |               |
| <b>Current Liabilities</b>                                               |                                      |                    |                     |                  |                   |               |
| 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%          |
| <b>Total Current Liabilities</b>                                         | <b>728,699</b>                       | <b>558,651</b>     | <b>170,048</b>      | <b>30.4%</b>     | <b>13.8%</b>      | <b>11.4%</b>  |
| <b>Noncurrent Liabilities</b>                                            |                                      |                    |                     |                  |                   |               |
| 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%          |
| <b>Total Noncurrent Liabilities</b>                                      | <b>2,645,970</b>                     | <b>2,625,576</b>   | <b>20,394</b>       | <b>0.8%</b>      | <b>50.0%</b>      | <b>53.4%</b>  |
| <b>Total Liabilities</b>                                                 | <b>3,374,669</b>                     | <b>3,184,227</b>   | <b>190,442</b>      | <b>6.0%</b>      | <b>63.8%</b>      | <b>64.8%</b>  |
| <b>Equity Attributable to Equity Holders of the Parent Company</b>       |                                      |                    |                     |                  |                   |               |
| 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%          |
| <b>Total Equity</b>                                                      | <b>1,912,606</b>                     | <b>1,729,867</b>   | <b>182,739</b>      | <b>10.6%</b>     | <b>36.2%</b>      | <b>35.2%</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                      | <b>\$5,287,275</b>                   | <b>\$4,914,094</b> | <b>\$373,181</b>    | <b>7.6%</b>      | <b>100.0%</b>     | <b>100.0%</b> |

**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) |
| <b>Revenues from sale of electricity</b>                    | \$1,904,919      | \$2,060,229        | (\$155,310)         | -7.5%          | 100.0%            | 100.0%             |
| <b>TOTAL REVENUES</b>                                       | <b>1,904,919</b> | <b>2,060,229</b>   | <b>(155,310)</b>    | <b>-7.5%</b>   | <b>100.0%</b>     | <b>100.0%</b>      |
| <b>OPERATING EXPENSES</b>                                   |                  |                    |                     |                |                   |                    |
| 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%             |
| <b>FINANCIAL INCOME (EXPENSE)</b>                           |                  |                    |                     |                |                   |                    |
| 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%              |
| <b>OTHER INCOME (CHARGES)</b>                               |                  |                    |                     |                |                   |                    |
| 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%               |
| <b>INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS</b>  | <b>229,314</b>   | <b>370,539</b>     | <b>(141,225)</b>    | <b>-38.1%</b>  | <b>12.0%</b>      | <b>18.0%</b>       |
| <b>Provision for (benefit from) Income Tax</b>              |                  |                    |                     |                |                   |                    |
| 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%               |
| <b>NET INCOME FROM CONTINUING OPERATIONS</b>                | <b>167,595</b>   | <b>311,712</b>     | <b>(144,117)</b>    | <b>-46.2%</b>  | <b>8.8%</b>       | <b>15.1%</b>       |
| <b>NET INCOME FROM DISCONTINUED OPERATIONS</b>              | <b>-</b>         | <b>2,297</b>       | <b>(2,297)</b>      | <b>-100.0%</b> | <b>0.0%</b>       | <b>0.1%</b>        |
| <b>NET INCOME</b>                                           | <b>\$167,595</b> | <b>\$314,009</b>   | <b>(\$146,414)</b>  | <b>-46.6%</b>  | <b>8.8%</b>       | <b>15.2%</b>       |
| <b>Net income attributable to:</b>                          |                  |                    |                     |                |                   |                    |
| 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.

| <b>Amount in USD thousands</b>                                                                     | <b>2013<br/>(As restated)</b> | <b>2012<br/>(As restated)</b> |
|----------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| 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)                         | —                             |
| <b>Recurring Net Income attributable to the Parent Company</b>                                     | <b>\$151,191</b>              | <b>\$173,903</b>              |

# **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

| (Amounts in US\$ and in Thousands)                                       | As of the years ended<br>December 31 |                       | HORIZONTAL ANALYSIS |                  | VERTICAL ANALYSIS |                       |
|--------------------------------------------------------------------------|--------------------------------------|-----------------------|---------------------|------------------|-------------------|-----------------------|
|                                                                          | 2013                                 | 2012 (As<br>restated) | 2013 vs.<br>2012    | 2013 vs.<br>2012 | 2013              | 2012 (As<br>restated) |
| <b>ASSETS</b>                                                            |                                      |                       |                     |                  |                   |                       |
| <b>Current Assets</b>                                                    |                                      |                       |                     |                  |                   |                       |
| 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%                  |
| <b>Total Current Assets</b>                                              | <b>1,376,178</b>                     | <b>1,098,024</b>      | <b>278,154</b>      | <b>25.3%</b>     | <b>28.0%</b>      | <b>23.3%</b>          |
| <b>Noncurrent Assets</b>                                                 |                                      |                       |                     |                  |                   |                       |
| 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%                  |
| <b>Total Noncurrent Assets</b>                                           | <b>3,537,916</b>                     | <b>3,615,497</b>      | <b>(77,581)</b>     | <b>-2.1%</b>     | <b>72.0%</b>      | <b>76.7%</b>          |
| <b>TOTAL ASSETS</b>                                                      | <b>\$4,914,094</b>                   | <b>\$4,713,521</b>    | <b>\$200,573</b>    | <b>4.3%</b>      | <b>100.0%</b>     | <b>100.0%</b>         |
| <b>LIABILITIES AND EQUITY</b>                                            |                                      |                       |                     |                  |                   |                       |
| <b>Current Liabilities</b>                                               |                                      |                       |                     |                  |                   |                       |
| 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%                  |
| <b>Total Current Liabilities</b>                                         | <b>558,651</b>                       | <b>585,253</b>        | <b>(26,602)</b>     | <b>-4.5%</b>     | <b>11.4%</b>      | <b>12.4%</b>          |
| <b>Noncurrent Liabilities</b>                                            |                                      |                       |                     |                  |                   |                       |
| 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%                  |
| <b>Total Noncurrent Liabilities</b>                                      | <b>2,625,576</b>                     | <b>2,306,374</b>      | <b>319,202</b>      | <b>13.8%</b>     | <b>53.4%</b>      | <b>48.9%</b>          |
| <b>Total Liabilities</b>                                                 | <b>3,184,227</b>                     | <b>2,891,627</b>      | <b>292,600</b>      | <b>10.1%</b>     | <b>64.8%</b>      | <b>61.3%</b>          |
| <b>Equity Attributable to Equity Holders of the Parent Company</b>       |                                      |                       |                     |                  |                   |                       |
| 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%                  |
| <b>Total Equity</b>                                                      | <b>1,729,867</b>                     | <b>1,821,894</b>      | <b>(92,027)</b>     | <b>-5.1%</b>     | <b>35.2%</b>      | <b>38.7%</b>          |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                      | <b>\$4,914,094</b>                   | <b>\$4,713,521</b>    | <b>\$200,573</b>    | <b>4.3%</b>      | <b>100.0%</b>     | <b>100.0%</b>         |

**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)<br>(in USD thousands)   | For the years ended<br>December 31   |         |
|-----------------------------------|--------------------------------------|---------|
|                                   | 2014                                 | 2013    |
| Revenues                          | 792,443                              | 968,434 |
| Operating income                  | 144,697                              | 148,197 |
| Net income                        | 78,960                               | 75,159  |
| (in USD thousands)                | As of the years ended<br>December 31 |         |
|                                   | 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.**

| <b>(AUDITED)</b>                  | <b>For the years ended<br/>December 31</b>   |             |
|-----------------------------------|----------------------------------------------|-------------|
| <b>(in USD thousands)</b>         | <b>2014</b>                                  | <b>2013</b> |
| Revenues                          | 447,017                                      | 343,666     |
| Operating income                  | 93,920                                       | 54,273      |
| Net income                        | 60,238                                       | 24,286      |
|                                   | <b>As of the years ended<br/>December 31</b> |             |
| <b>(in USD thousands)</b>         | <b>2014</b>                                  | <b>2013</b> |
| 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**

| <b>(AUDITED)<br/>(Amounts in PHP millions)</b> | <b>For the years ended<br/>December 31</b>   |             |
|------------------------------------------------|----------------------------------------------|-------------|
|                                                | <b>2014</b>                                  | <b>2013</b> |
| 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     |
|                                                | <b>As of the years ended<br/>December 31</b> |             |
| <b>(Amounts in PHP millions)</b>               | <b>2014</b>                                  | <b>2013</b> |
| 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**

| <b>(AUDITED)<br/>(Amounts in PHP millions)</b> | <b>For the years ended<br/>December 31</b>   |             |
|------------------------------------------------|----------------------------------------------|-------------|
|                                                | <b>2014</b>                                  | <b>2013</b> |
| 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     |
|                                                | <b>As of the years ended<br/>December 31</b> |             |
| <b>(Amounts in PHP millions)</b>               | <b>2014</b>                                  | <b>2013</b> |
| 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**

|                           | <b>For the years ended<br/>December 31</b>   |             |
|---------------------------|----------------------------------------------|-------------|
| <b>(in PHP thousands)</b> | <b>2014</b>                                  | <b>2013</b> |
| Revenues                  | 44,833                                       | 50,507      |
| Operating income          | 13,661                                       | 21,615      |
| Net income                | 12,182                                       | 17,799      |
|                           | <b>As of the years ended<br/>December 31</b> |             |
| <b>(in PHP thousands)</b> | <b>2014</b>                                  | <b>2013</b> |
| 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)          |
|                                       | <b>\$294,206</b> | <b>\$30,576</b>            | <b>\$62,203</b>                      | <b>—</b>                  | <b>\$386,985</b> |

## **INFORMATION ON INDEPENDENT AUDITORS**

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 SGV & Co.:

| <b>AUDIT FEES (in Philippine peso)</b> | <b>2014</b>      | <b>2013</b>       | <b>2012</b>       |
|----------------------------------------|------------------|-------------------|-------------------|
|                                        |                  |                   |                   |
| Audit and Audit-Related Fees           | 7,391,319        | 6,577,136         | 5,175,276         |
| Tax Fees                               | 294,000          | 457,597           | 709,531           |
| All Other Fees <sup>[1]</sup>          | 1,413,253        | 9,911,485         | 4,949,572         |
|                                        | <b>9,098,572</b> | <b>16,946,218</b> | <b>10,834,379</b> |

<sup>[1]</sup> 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, conduct of transfer pricing studies, issuance of comfort letters in relation to the Series "F" & Series "G" perpetual preferred shares offerings and the US\$300M Notes offering, and conduct of seminars.

## **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 1<sup>st</sup> quarter of 2015 (as of March 12, 2015) are indicated below:

|                           | <b>High</b> | <b>Low</b> |
|---------------------------|-------------|------------|
| <b>2015</b>               |             |            |
| 1Q (as of March 12, 2015) | 31.80       | 25.40      |
| <b>2014</b>               |             |            |
| 4Q                        | 27.55       | 23.85      |
| 3Q                        | 27.10       | 20.20      |
| 2Q                        | 23.30       | 18.06      |
| 1Q                        | 20.00       | 13.14      |
| <b>2013</b>               |             |            |
| 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:

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

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

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**

| <b>Rank</b> | <b>Name</b>                           | <b>No. of Shares</b> | <b>Percentage</b> |
|-------------|---------------------------------------|----------------------|-------------------|
| 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%          |
| <b>TOTAL SHARES (TOP 20)</b>               |                                                   | <b>3,656,383,949</b> | <b>99.875453%</b>  |
| TOTAL SHARES (REST OF STOCKHOLDERS)        |                                                   | 4,559,608            | 0.124547%          |
| <b>TOTAL ISSUED AND OUTSTANDING SHARES</b> |                                                   | <b>3,660,943,557</b> | <b>100.000000%</b> |

#### Series "B" Preferred Shares

| Rank                                       | Name                                  | No. of Shares        | Percentage         |
|--------------------------------------------|---------------------------------------|----------------------|--------------------|
| 1                                          | FIRST PHILIPPINE HOLDINGS CORPORATION | 1,000,000,000        | 100.000000%        |
| <b>TOTAL ISSUED AND OUTSTANDING SHARES</b> |                                       | <b>1,000,000,000</b> | <b>100.000000%</b> |

#### Series "E" Preferred Shares

| Rank                                       | Name                                  | No. of Shares      | Percentage         |
|--------------------------------------------|---------------------------------------|--------------------|--------------------|
| 1                                          | FIRST PHILIPPINE HOLDINGS CORPORATION | 468,553,892        | 100.000000%        |
| <b>TOTAL ISSUED AND OUTSTANDING SHARES</b> |                                       | <b>468,553,892</b> | <b>100.000000%</b> |

#### 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%          |
| <b>TOTAL ISSUED AND OUTSTANDING SHARES</b> |                                   | <b>100,000,000</b> | <b>100.000000%</b> |

#### 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%          |
| <b>TOTAL SHARES (TOP 20)</b>               |                                                    | <b>133,481,200</b> | <b>99.799028%</b>  |
| TOTAL SHARES (REST OF STOCKHOLDERS)        |                                                    | 268,800            | 0.200972%          |
| <b>TOTAL ISSUED AND OUTSTANDING SHARES</b> |                                                    | <b>133,750,000</b> | <b>100.000000%</b> |

#### 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 2<sup>nd</sup> 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      | X      | ✓      | X      | ✓      | ✓      | ✓     | ✓      |
| F.G.B. Puno       | ✓      | ✓      | ✓      | ✓      | ✓      | ✓     | ✓      |
| P.D. Garrucho Jr. | ✓      | ✓      | ✓      | ✓      | ✓      | ✓     | ✓      |
| E.L. Ibañez       | ✓      | ✓      | ✓      | ✓      | ✓      | ✓     | ✓      |
| E.L. Lopez III    | X      | ✓      | ✓      | ✓      | ✓      | X     | ✓      |
| T.T. Caktiong     | X      | ✓      | X      | ✓      | X      | ✓     | ✓      |
| J.I. Ayala        | ✓      | ✓      | ✓      | ✓      | ✓      | ✓     | ✓      |

Legend: ✓- Present  
X- 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**

**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

|   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|
| A | 1 | 9 | 9 | 8 | - | 1 | 8 | 2 | 6 | 0 |
|---|---|---|---|---|---|---|---|---|---|---|

Company Name

[illegible]

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

[illegible]

Form Type

|          |          |          |          |          |
|----------|----------|----------|----------|----------|
| <b>A</b> | <b>A</b> | <b>C</b> | <b>F</b> | <b>S</b> |
|----------|----------|----------|----------|----------|

Department requiring the report

|  |  |  |  |
|--|--|--|--|
|  |  |  |  |
|--|--|--|--|

Secondary License Type, If Applicable

|  |  |  |  |
|--|--|--|--|
|  |  |  |  |
|--|--|--|--|

## COMPANY INFORMATION

Company's Email Address

**www.firstgen.com.ph**

Company's Telephone Number/s

**(02) 631-8024**

Mobile Number

No. of Stockholders

353

Annual Meeting  
Month/Day

**05/13**

Fiscal Year  
Month/Day

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

**Maria Carmina Z. Ubaña**

Email Address

**czubana@firstgen.com.ph**

Telephone Number/s

**449-6253**

Mobile Number

**0917-3279054**

Contact Person's Address

**3<sup>rd</sup> 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.

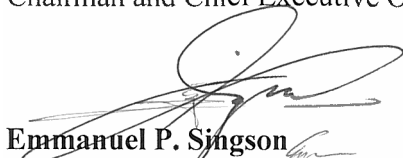
The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

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



**Emmanuel P. Singson**

SVP, CFO and Treasurer



**Francis Giles B. Puno**

President and Chief Operating Officer



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 01 2015

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

|                       | <u>CTC No.</u> | <u>Date/Place Issued</u>      |
|-----------------------|----------------|-------------------------------|
| 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. SS  
Series of 2015.

ATTY. RICHARDO L. ANOLIN  
NOTARY PUBLIC - DECEMBER 31, 2015  
COMMISSION NO. 2014-059  
FOR THE CITY OF MANILA PHILIPPINES  
IBP LIFE TIME NO. 0517902 25-05/MLA  
PTR NO. 382-182-01/05/15/MLA  
ROLL NO. 33596  
MCLE COMPLIANCE NO. IV-002385018/15/14  
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

## 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.

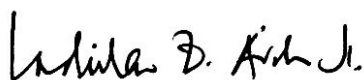
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***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               |
| <b>ASSETS</b>                                                         |                    |                    |
| <b>Current Assets</b>                                                 |                    |                    |
| 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             |
| <b>Total Current Assets</b>                                           | <b>1,219,225</b>   | <b>1,376,178</b>   |
| <b>Noncurrent Assets</b>                                              |                    |                    |
| 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            |
| <b>Total Noncurrent Assets</b>                                        | <b>4,068,050</b>   | <b>3,537,916</b>   |
| <b>TOTAL ASSETS</b>                                                   | <b>\$5,287,275</b> | <b>\$4,914,094</b> |
| <b>LIABILITIES AND EQUITY</b>                                         |                    |                    |
| <b>Current Liabilities</b>                                            |                    |                    |
| 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                 |
| <b>Total Current Liabilities</b>                                      | <b>728,699</b>     | <b>558,651</b>     |
| <b>Noncurrent Liabilities</b>                                         |                    |                    |
| 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             |
| <b>Total Noncurrent Liabilities</b>                                   | <b>2,645,970</b>   | <b>2,625,576</b>   |
| <b>Total Liabilities</b>                                              | <b>\$3,374,669</b> | <b>\$3,184,227</b> |

(Forward)



|                                                                                            | December 31        |                    |
|--------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                            | 2014               | 2013               |
| <b>Equity Attributable to Equity Holders of the Parent Company</b><br>(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<br>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)           |
|                                                                                            | <b>1,498,081</b>   | <b>1,350,015</b>   |
| <b>Non-controlling Interests</b> (Notes 2 and 17)                                          | <b>414,525</b>     | <b>379,852</b>     |
| <b>Total Equity</b>                                                                        | <b>1,912,606</b>   | <b>1,729,867</b>   |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                                        | <b>\$5,287,275</b> | <b>\$4,914,094</b> |

*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             |
| <b>REVENUES FROM SALE OF ELECTRICITY</b>                                                                    |                         |                  |                  |
| (Notes 10, 27, and 28)                                                                                      | \$1,902,630             | \$1,904,919      | \$2,060,229      |
| <b>COSTS OF SALE OF ELECTRICITY</b>                                                                         |                         |                  |                  |
| (Notes 8, 10, 11, 20, 22 and 27)                                                                            | (1,212,551)             | (1,301,315)      | (1,374,641)      |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>                                                                  |                         |                  |                  |
| (Notes 8, 10, 11, 12, 20, 22 and 27)                                                                        | (210,192)               | (169,216)        | (175,583)        |
| <b>FINANCIAL INCOME (EXPENSE)</b>                                                                           |                         |                  |                  |
| 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)        |
| <b>OTHER INCOME (CHARGES)</b>                                                                               |                         |                  |                  |
| 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           |
| <b>INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS</b>                                                  | <b>396,118</b>          | <b>229,314</b>   | <b>370,539</b>   |
| <b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>                                                              |                         |                  |                  |
| (Note 23)                                                                                                   |                         |                  |                  |
| Current                                                                                                     | 74,780                  | 63,313           | 60,973           |
| Deferred                                                                                                    | 3,240                   | (1,594)          | (2,146)          |
|                                                                                                             | 78,020                  | 61,719           | 58,827           |
| <b>NET INCOME FROM CONTINUING OPERATIONS</b>                                                                | <b>318,098</b>          | <b>167,595</b>   | <b>311,712</b>   |
| <b>NET INCOME FROM DISCONTINUED OPERATIONS</b>                                                              |                         |                  |                  |
| (Note 4)                                                                                                    | —                       | —                | 2,297            |
| <b>NET INCOME</b>                                                                                           | <b>\$318,098</b>        | <b>\$167,595</b> | <b>\$314,009</b> |
| <b>Net income attributable to:</b>                                                                          |                         |                  |                  |
| 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        |
| <b>Basic/Diluted Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company</b> |                         |                  |                  |
| (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             |
| <b>NET INCOME</b>                                                                                        | <b>\$318,098</b>        | <b>\$167,595</b> | <b>\$314,009</b> |
| <b>OTHER COMPREHENSIVE INCOME (LOSS):</b>                                                                |                         |                  |                  |
| <i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>     |                         |                  |                  |
| 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          |
| <i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i> |                         |                  |                  |
| 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           |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                                                        | <b>\$312,292</b>        | <b>\$39,519</b>  | <b>\$413,260</b> |
| <b>Total comprehensive income attributable to:</b>                                                       |                         |                  |                  |
| Equity holders of the Parent Company                                                                     | \$230,918               | \$32,359         | \$264,991        |
| Non-controlling interests                                                                                | 81,374                  | 7,160            | 148,269          |
|                                                                                                          | <b>\$312,292</b>        | <b>\$39,519</b>  | <b>\$413,260</b> |

*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                    |                 | Additional<br>Paid-in<br>Capital | Accumulated<br>Share in Other<br>Comprehensive<br>Income<br>(Losses) of<br>Associates | Cumulative<br>Translation<br>Adjustments | Accumulated<br>Unrealized<br>Gain (Loss)<br>on AFS<br>Financial<br>Assets | Equity<br>Reserve<br>(Note 2) | Re-<br>measurement<br>of Retirement<br>and Other<br>Post-<br>Employment<br>Benefits | Retained<br>Earnings | Cost of<br>Common<br>Stock<br>Held in<br>Treasury | Subtotal           | Non-<br>controlling<br>Interests | Total              |
|---------------------------------------------------------------------------------------------|----------------------------------|-----------------|----------------------------------|---------------------------------------------------------------------------------------|------------------------------------------|---------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------|----------------------|---------------------------------------------------|--------------------|----------------------------------|--------------------|
|                                                                                             | Redeemable<br>Preferred<br>Stock | Common<br>Stock |                                  |                                                                                       |                                          |                                                                           |                               |                                                                                     |                      |                                                   |                    |                                  |                    |
| <b>BALANCES AT DECEMBER 31, 2013</b>                                                        | <b>\$69,345</b>                  | <b>\$74,728</b> | <b>\$1,052,282</b>               | <b>\$-</b>                                                                            | <b>(\$19,909)</b>                        | <b>\$344</b>                                                              | <b>(\$365,496)</b>            | <b>\$-</b>                                                                          | <b>\$600,974</b>     | <b>(\$62,253)</b>                                 | <b>\$1,350,015</b> | <b>\$379,852</b>                 | <b>\$1,729,867</b> |
| 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)           |
| <b>BALANCES AT DECEMBER 31, 2014</b>                                                        | <b>\$69,345</b>                  | <b>\$74,728</b> | <b>\$1,052,282</b>               | <b>\$-</b>                                                                            | <b>\$8,283</b>                           | <b>\$354</b>                                                              | <b>(\$372,439)</b>            | <b>\$-</b>                                                                          | <b>\$737,525</b>     | <b>(\$71,997)</b>                                 | <b>\$1,498,081</b> | <b>\$414,525</b>                 | <b>\$1,912,606</b> |
| <b>BALANCES AT DECEMBER 31, 2012</b>                                                        | <b>\$69,345</b>                  | <b>\$74,715</b> | <b>\$1,052,180</b>               | <b>\$-</b>                                                                            | <b>\$62,920</b>                          | <b>\$647</b>                                                              | <b>(\$357,209)</b>            | <b>\$-</b>                                                                          | <b>\$566,290</b>     | <b>(\$59,235)</b>                                 | <b>\$1,409,653</b> | <b>\$412,241</b>                 | <b>\$1,821,894</b> |
| 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)           |
| <b>BALANCES AT DECEMBER 31, 2013</b>                                                        | <b>\$69,345</b>                  | <b>\$74,728</b> | <b>\$1,052,282</b>               | <b>\$-</b>                                                                            | <b>(\$19,909)</b>                        | <b>\$344</b>                                                              | <b>(\$365,496)</b>            | <b>\$-</b>                                                                          | <b>\$600,974</b>     | <b>(\$62,253)</b>                                 | <b>\$1,350,015</b> | <b>\$379,852</b>                 | <b>\$1,729,867</b> |

(Forward)



Equity Attributable to Equity Holders of the Parent Company (Notes 17 and 18)

|                                                                                                                       | Capital Stock                    |                 | Additional<br>Paid-in<br>Capital | Accumulated<br>Share in Other<br>Comprehensive<br>Income<br>(Losses) of<br>Associates | Cumulative<br>Translation<br>Adjustments | Accumulated<br>Unrealized<br>Gain (Loss)<br>on AFS<br>Financial<br>Assets | Equity<br>Reserve<br>(Note 2) | Re-<br>measurement<br>of Retirement<br>and Other<br>Post-<br>Employment<br>Benefits | Retained<br>Earnings | Cost of<br>Common<br>Stock<br>Held in<br>Treasury | Subtotal           | Non-<br>controlling<br>Interests | Total              |
|-----------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------------|----------------------------------|---------------------------------------------------------------------------------------|------------------------------------------|---------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------|----------------------|---------------------------------------------------|--------------------|----------------------------------|--------------------|
|                                                                                                                       | Redeemable<br>Preferred<br>Stock | Common<br>Stock |                                  |                                                                                       |                                          |                                                                           |                               |                                                                                     |                      |                                                   |                    |                                  |                    |
| <b>BALANCES AT DECEMBER 31, 2011</b>                                                                                  | \$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 Common shares acquired by subsidiaries (Note 17)                      | -                                | -               | -                                | -                                                                                     | -                                        | -                                                                         | (41,670)                      | -                                                                                   | -                    | -                                                 | (41,670)           | (21,145)                         | (62,815)           |
| Investments from non-controlling shareholders in PT EDC Indonesia, PT EDC Panas Bumi Indonesia and EDC Quellaapacheta | -                                | -               | -                                | -                                                                                     | -                                        | -                                                                         | -                             | -                                                                                   | -                    | (6,248)                                           | (6,248)            | -                                | (6,248)            |
| Share in employee trusts of EDC                                                                                       | -                                | -               | -                                | -                                                                                     | -                                        | -                                                                         | -                             | -                                                                                   | -                    | -                                                 | -                  | 30                               | 30                 |
| Cash dividends on preferred shares (Note 17)                                                                          | -                                | -               | -                                | -                                                                                     | -                                        | -                                                                         | -                             | -                                                                                   | -                    | -                                                 | -                  | 583                              | 583                |
| Dividends of subsidiaries (Note 17)                                                                                   | -                                | -               | -                                | -                                                                                     | -                                        | -                                                                         | -                             | -                                                                                   | (35,113)             | -                                                 | (35,113)           | -                                | (35,113)           |
|                                                                                                                       | -                                | -               | -                                | -                                                                                     | -                                        | -                                                                         | -                             | -                                                                                   | -                    | -                                                 | -                  | (31,559)                         | (31,559)           |
| <b>BALANCES AT DECEMBER 31, 2012</b>                                                                                  | <b>\$69,345</b>                  | <b>\$74,715</b> | <b>\$1,052,180</b>               | <b>\$-</b>                                                                            | <b>\$62,920</b>                          | <b>\$647</b>                                                              | <b>(\$357,209)</b>            | <b>\$-</b>                                                                          | <b>\$566,290</b>     | <b>(\$59,235)</b>                                 | <b>\$1,409,653</b> | <b>\$412,241</b>                 | <b>\$1,821,894</b> |

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      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                |                         |           |           |
| 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   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                |                         |           |           |
| 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)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                          |                         |                  |                  |
| <b>Proceeds from:</b>                                                                |                         |                  |                  |
| 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          |
| <b>Payments of:</b>                                                                  |                         |                  |                  |
| 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)        |
| <b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>          |                         |                  |                  |
|                                                                                      | 31                      | (610)            | 1,040            |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                          | <b>(196,360)</b>        | <b>237,242</b>   | <b>78,425</b>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                                | <b>870,253</b>          | <b>633,011</b>   | <b>554,586</b>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>                             | <b>\$673,893</b>        | <b>\$870,253</b> | <b>\$633,011</b> |

See accompanying Notes to Consolidated Financial Statements.



**FIRST GEN CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in U.S. Dollars and in Thousands, Unless Otherwise Stated)**

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**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.

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## 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 loses 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) <sup>16</sup>                                                    | 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) <sup>1</sup>                                           | 100                           | 100  | 100  |
| Northern Terracotta Power Corp. (Northern Terracotta)                                              | 100                           | 100  | 100  |
| Blue Vulcan <sup>5, 16</sup>                                                                       | 100                           | 100  | 100  |
| Prime Meridian Powergen Corporation (Prime Meridian)                                               | 100                           | 100  | 100  |
| Bluespark <sup>5, 16</sup>                                                                         | —                             | 100  | 100  |
| Goldsilk <sup>5, 16</sup>                                                                          | 100                           | 100  | 100  |
| Dualcore <sup>5, 16</sup>                                                                          | 100                           | 100  | 100  |
| Onecore <sup>5, 16</sup>                                                                           | 100                           | 100  | 100  |
| FG Mindanao Renewables Corp. (FMRC) <sup>6</sup>                                                   | 100                           | 100  | 100  |
| FGen Northern Mindanao Holdings, Inc. (FNMHI) <sup>6</sup>                                         | 100                           | 100  | 100  |
| FGen Tagoloan Hydro Corporation (FG Tagoloan) <sup>7</sup>                                         | 100                           | 100  | 100  |
| FGen Tumalaong Hydro Corporation (FG Tumalaong) <sup>7</sup>                                       | 100                           | 100  | 100  |
| FGen Puyo Hydro Corporation (FG Puyo) <sup>8</sup>                                                 | 100                           | 100  | 100  |
| FGen Bubunawan Hydro Corporation (FG Bubunawan) <sup>8</sup>                                       | 100                           | 100  | 100  |
| FGen Cabadbaran Hydro Corporation (FG Cabadbaran) <sup>8</sup>                                     | 100                           | 100  | 100  |
| FGHC <sup>5, 16</sup>                                                                              | 100                           | 100  | 100  |
| FGP <sup>2, 16</sup>                                                                               | 100                           | 100  | 100  |
| FNPC <sup>3</sup>                                                                                  | 100                           | 100  | 100  |
| First Gas Power Corporation (FGPC) <sup>4, 16</sup>                                                | 100                           | 100  | 100  |
| First Gas Pipeline Corporation (FG Pipeline) <sup>4, 16</sup>                                      | 100                           | 100  | 100  |
| FGLand Corporation (FG Land) <sup>4, 16</sup>                                                      | 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) <sup>11</sup>                                      | 100                           | —    | —    |
| FGen Power Ventures, Inc. (FGEN Power Ventures) <sup>11</sup>                                      | 100                           | —    | —    |
| FGen Casecan Hydro Power Corp. (FGEN Casecan) <sup>12</sup>                                        | 100                           | —    | —    |
| FGen Power Holdings, Inc. (Power Holdings) <sup>13</sup>                                           | 100                           | —    | —    |
| FGen Prime Holdings, Inc. (Prime Holdings) <sup>13</sup>                                           | 100                           | —    | —    |
| FGen Eco Solutions Holdings, Inc. (FGESHI) <sup>13</sup>                                           | 100                           | —    | —    |
| FGen Liquefied Natural Gas Holdings, Inc. (Liquefied Holdings) <sup>14</sup>                       | 100                           | —    | —    |
| FGen Reliable Energy Holdings, Inc. (FG Reliable Energy) <sup>17</sup>                             | 100                           | —    | —    |
| FGen Power Solutions, Inc. (FG Power Solutions) <sup>18</sup>                                      | 100                           | —    | —    |
| FGen Vibrant Blue Sky Holdings, Inc. (FGVBSHI) <sup>19</sup>                                       | 100                           | —    | —    |



|                                                               | Percentage of Voting Interest |      |      |
|---------------------------------------------------------------|-------------------------------|------|------|
|                                                               | 2014                          | 2013 | 2012 |
| FGen Aqua Power Holdings, Inc. (FG Aqua Power) <sup>19</sup>  | <b>100</b>                    | —    | —    |
| Prime Terracota <sup>9, 10, 15</sup>                          | <b>73</b>                     | 45   | 45   |
| First Gen Hydro Power Corporation (FG Hydro) <sup>9, 10</sup> | <b>40</b>                     | 40   | 40   |

<sup>1</sup>Through FGRI

<sup>2</sup>Through Unified

<sup>3</sup>Through AlliedGen

<sup>4</sup>Through FGHC

<sup>5</sup>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.

<sup>6</sup>Through FG Mindanao

<sup>7</sup>Through FMRC

<sup>8</sup>Through FNMHI

<sup>9</sup>As a result of the adoption of PFRS 10 effective January 1, 2013).

<sup>10</sup>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.

<sup>11</sup>On January 3, 2014, FGEN Northern Power and FGEN Power Ventures were incorporated and registered with the Philippine SEC.

<sup>12</sup>On January 16, 2014, FGEN Casecnan was incorporated and registered with the Philippine SEC.

<sup>13</sup>On August 6, 2014, Power Holdings, Prime Holdings, and FGESHI were incorporated and registered with the Philippine SEC.

<sup>14</sup>On September 25, 2014, Liquefied Holdings was incorporated and registered with the Philippine SEC.

<sup>15</sup>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.

<sup>16</sup>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.

<sup>17</sup>On October 24, 2014, FG Reliable Energy was incorporated and registered with the Philippine SEC.

<sup>18</sup>On November 11, 2014, FG Power Solutions was incorporated and registered with the Philippine SEC.

<sup>19</sup>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                                   | <b>100</b>                    | 100  |
| EDC                                          | <b>60</b>                     | 60   |
| First Gen Hydro Power Corporation (FG Hydro) | <b>60</b>                     | 60   |
| EDC Drillco Corporation (EDC Drillco)        | <b>60</b>                     | 60   |
| EDC Geothermal Corp. (EGC)                   | <b>60</b>                     | 60   |
| Green Core Geothermal Inc. (GCGI)            | <b>60</b>                     | 60   |
| Bac-Man Geothermal Inc. (BGI)                | <b>60</b>                     | 60   |
| Unified Leyte Geothermal Energy Inc. (ULGEI) | <b>60</b>                     | 60   |
| Southern Negros Geothermal, Inc. (SNGI)      | <b>60</b>                     | 60   |
| EDC Mindanao Geothermal, Inc. (EMGI)         | <b>60</b>                     | 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) <sup>4</sup>                  | 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) <sup>4</sup>        | 60                            | —    |
| EDC Pagali Burgos Wind Power Corporation (EPBWPC) <sup>4</sup> | 60                            | —    |
| EDC Bright Solar Energy Holdings, Inc. (EBSEHI) <sup>4</sup>   | 60                            | —    |
| EDC Bago Solar Power Corporation (EBSPC) <sup>4</sup>          | 60                            | —    |
| EDC Burgos Solar Corporation (EBSC) <sup>4</sup>               | 60                            | —    |
| EDC Holdings International Limited (EHIL)                      | 60                            | 60   |
| Energy Development Corporation Hong Kong Limited (EDC HKL)     | 60                            | 60   |
| EDC Chile Holdings SPA <sup>3</sup>                            | 60                            | 60   |
| EDC Geotermica Chile <sup>3</sup>                              | 60                            | 60   |
| EDC Peru Holdings S.A.C. <sup>3</sup>                          | 60                            | 60   |
| EDC Geotermica Peru S.A.C. <sup>3</sup>                        | 60                            | 60   |
| EDC Quellaapacheta <sup>3</sup>                                | 60                            | 60   |
| EDC Geotermica Del Sur S.A.C. <sup>1,3</sup>                   | 60                            | 60   |
| EDC Energia Azul S.A.C. <sup>1,3</sup>                         | 60                            | 60   |
| Geotermica Crucero Peru S.A.C. <sup>2,3</sup>                  | 42                            | 42   |
| EDC Energía Perú S.A.C. <sup>1,3</sup>                         | 60                            | 60   |
| Geotermica Tutupaca Norte Peru S.A.C. <sup>2,3</sup>           | 42                            | 42   |
| EDC Energía Geotérmica S.A.C. <sup>1,3</sup>                   | 60                            | 60   |
| EDC Progreso Geotérmico Perú S.A.C. <sup>1,3</sup>             | 60                            | 60   |
| Geotermica Loriscota Peru S.A.C. <sup>2,3</sup>                | 42                            | 42   |
| EDC Energía Renovable Perú S.A.C. <sup>1,3</sup>               | 60                            | 60   |
| PT EDC Indonesia <sup>3</sup>                                  | 60                            | 57   |
| PT EDC Panas Bumi Indonesia <sup>3</sup>                       | 60                            | 57   |
| EDC Soluciones Sostenibles Ltd                                 | 60                            | —    |
| EDC Energia Verde Chile SpA                                    | 60                            | —    |
| EDC Energia de la Tierra SpA                                   | 60                            | —    |
| EDC Desarrollo 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                            | —    |

<sup>1</sup>Through EHIL and was incorporated on February 27, 2013 in Lima, Peru

<sup>2</sup>Through EHIL and were incorporated in 2013

<sup>3</sup>Subsidiary of EDC HKL

<sup>4</sup>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) <sup>1</sup> | 33                            | 33   | 33   |
| Bauang Private Power Corporation (BPPC) <sup>2</sup> | 37                            | 37   | 37   |

<sup>1</sup>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%.

<sup>2</sup>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 (GRESs). 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 Standards 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.

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### 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 an 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  |



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## 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 <sup>*</sup> | FG Hydro | Others     | Eliminating Entries <sup>†</sup> | 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 &<br>Subsidiaries* | FG Hydro | Others     | Eliminating<br>Entries <sup>†</sup> | 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 <sup>†</sup> | 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 &<br>Subsidiaries* | FG Hydro  | Others      | Eliminating<br>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) | <b>\$147,462</b> | \$183,239 |
| Short-term deposits (see Notes 21, 25 and 26)       | <b>526,431</b>   | 687,014   |
|                                                     | <b>\$673,893</b> | \$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)                    | <b>\$371,914</b> | \$323,130 |
| Due from related parties (see Notes 19, 25 and 26) | <b>2,521</b>     | 2,840     |
| Loans and notes receivables                        | <b>2,144</b>     | 2,814     |
| Others (see Notes 19, 25 and 26)                   | <b>12,444</b>    | 8,116     |
|                                                    | <b>389,023</b>   | 336,900   |
| Less: Allowance for doubtful accounts              | <b>(2,038)</b>   | (2,053)   |
|                                                    | <b>\$386,985</b> | \$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                 | <b>\$2,053</b> | \$1,842 |
| Provision for doubtful accounts (see Note 20) | –              | 368     |
| Foreign exchange adjustments                  | <b>(15)</b>    | (157)   |
| Balances at end of year                       | <b>\$2,038</b> | \$2,053 |

## 8. Inventories

This account consists of:

|                                   | 2014            | 2013      |
|-----------------------------------|-----------------|-----------|
| At cost:                          |                 |           |
| Fuel inventories (Note 27)        | <b>\$39,576</b> | \$45,869  |
| Spare parts and supplies          | <b>49,514</b>   | 53,852    |
| In transit                        | –               | 88        |
|                                   | <b>89,090</b>   | 99,809    |
| At NRV - Spare parts and supplies | <b>9,585</b>    | 9,914     |
|                                   | <b>\$98,675</b> | \$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) | <b>\$24,068</b> | \$18,696 | \$18,200 |
| General and administrative expenses (Note 20)                           | <b>5,166</b>    | 3,720    | 3,631    |
| Discontinued drilling operations (Note 4)                               | –               | –        | 847      |
|                                                                         | <b>\$29,234</b> | \$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             |
|                                    | <b>\$59,672</b> | <b>\$61,355</b> |

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<br>(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<br>shares              | 1,014          | 744             |
|                                                                  | <b>7,416</b>   | <b>7,830</b>    |
| Total                                                            | <b>\$7,416</b> | <b>\$15,530</b> |



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,<br>Buildings,<br>Improvements and<br>Other Structures | Exploration,<br>Machinery and<br>Equipment | Fluid Collection<br>and Recycling<br>System (FCRS)<br>and Production<br>Wells | Furniture,<br>Fixtures and<br>Equipment | Transportation<br>Equipment | Leasehold<br>Improvements | Others     | Construction<br>in Progress | Total              |
| <b>Cost</b>                                                      |                 |                                                                     |                                            |                                                                               |                                         |                             |                           |            |                             |                    |
| 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<br>(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          |
| <b>Accumulated Depreciation, Amortization<br/>and Impairment</b> |                 |                                                                     |                                            |                                                                               |                                         |                             |                           |            |                             |                    |
| 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<br>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          |
| <b>Net Book Value</b>                                            | <b>\$57,199</b> | <b>\$1,321,364</b>                                                  | <b>\$281,999</b>                           | <b>\$475,341</b>                                                              | <b>\$17,582</b>                         | <b>\$3,264</b>              | <b>\$220</b>              | <b>\$—</b> | <b>\$367,022</b>            | <b>\$2,523,991</b> |

| 2013                                                |          |                                                                     |                                            |                                 |                                         |                             |                           |         |                             |             |
|-----------------------------------------------------|----------|---------------------------------------------------------------------|--------------------------------------------|---------------------------------|-----------------------------------------|-----------------------------|---------------------------|---------|-----------------------------|-------------|
|                                                     | Land     | Power Plants,<br>Buildings,<br>Improvements and<br>Other Structures | Exploration,<br>Machinery and<br>Equipment | FCRS and<br>Production<br>Wells | Furniture,<br>Fixtures and<br>Equipment | Transportation<br>Equipment | Leasehold<br>Improvements | Others  | Construction<br>in Progress | Total       |
| <b>Cost</b>                                         |          |                                                                     |                                            |                                 |                                         |                             |                           |         |                             |             |
| 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<br>(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,<br>Buildings,<br>Improvements and<br>Other Structures | Exploration,<br>Machinery and<br>Equipment | FCRS and<br>Production<br>Wells | Furniture,<br>Fixtures and<br>Equipment | Transportation<br>Equipment | Leasehold<br>Improvements | Others  | Construction<br>in Progress | Total       |
| Accumulated Depreciation, Amortization<br>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   | <b>\$148,718</b> | \$145,610 |
| Intangible assets (see Note 11) | <b>16,398</b>    | 17,412    |
| Capitalized depreciation        | <b>(1,206)</b>   | (3,839)   |
|                                 | <b>\$163,910</b> | \$159,183 |

|                                                  | 2014             | 2013      | 2012      |
|--------------------------------------------------|------------------|-----------|-----------|
| Costs of sale of electricity<br>(see Note 20)    | <b>\$153,233</b> | \$149,296 | \$148,046 |
| General and administrative<br>(see Note 20)      | <b>10,677</b>    | 9,887     | 9,506     |
| Discontinued drilling operations<br>(see Note 4) | —                | —         | 450       |
|                                                  | <b>\$163,910</b> | \$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               |                                          |                 |                 |                        | Total              |
|---------------------------------|--------------------|------------------------------------------|-----------------|-----------------|------------------------|--------------------|
|                                 | Goodwill           | Concession Rights for Contracts Acquired | Water Rights    | Pipeline Rights | Other Intangible Asset |                    |
| <b>Cost</b>                     |                    |                                          |                 |                 |                        |                    |
| 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          |
| <b>Accumulated Amortization</b> |                    |                                          |                 |                 |                        |                    |
| 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            |
| <b>Net Book Value</b>           | <b>\$1,079,493</b> | <b>\$79,860</b>                          | <b>\$36,297</b> | <b>\$5,875</b>  | <b>\$5,989</b>         | <b>\$1,207,514</b> |

|                                 | 2013               |                                          |                 |                 |                        | Total              |
|---------------------------------|--------------------|------------------------------------------|-----------------|-----------------|------------------------|--------------------|
|                                 | Goodwill           | Concession Rights for Contracts Acquired | Water Rights    | Pipeline Rights | Other Intangible Asset |                    |
| <b>Cost</b>                     |                    |                                          |                 |                 |                        |                    |
| 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          |
| <b>Accumulated Amortization</b> |                    |                                          |                 |                 |                        |                    |
| 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            |
| <b>Net Book Value</b>           | <b>\$1,084,707</b> | <b>\$93,655</b>                          | <b>\$38,730</b> | <b>\$6,477</b>  | <b>\$3,266</b>         | <b>\$1,226,835</b> |

### 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              | —                  |
| <b>Total</b> |                                                | <b>\$1,079,493</b> | <b>\$1,084,707</b> |



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:

| Entity     | 2014                                      |              | 2013                                      |              |
|------------|-------------------------------------------|--------------|-------------------------------------------|--------------|
|            | 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;<br>8.1% for Palinpinon | 4.0%         | 6.1% for Tongonan;<br>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 (P8,336.7 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)         |
|                                               | <b>\$308,671</b> | <b>\$217,075</b> |

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            |
|-------------------------------|-----------------|-----------------|
| <b>Cost</b>                   |                 |                 |
| 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          |
| <b>Accumulated Impairment</b> |                 |                 |
| 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                | <b>\$62,645</b> | <b>\$53,627</b> |



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           |
|                | <b>\$62,645</b> | <b>\$53,627</b> |

#### 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                                | <b>\$260,045</b> | \$256,629 |
| Deferred output VAT                  | <b>46,874</b>    | 43,603    |
| Accrued interest and financing costs | <b>27,299</b>    | 26,630    |
| Withholding & other taxes payable    | <b>16,776</b>    | 14,806    |
| Royalty fee payable                  | <b>1,303</b>     | 894       |
| Output VAT                           | <b>908</b>       | 3,451     |
| Others                               | <b>13,704</b>    | 11,550    |
|                                      | <b>\$366,909</b> | \$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             |
|                      | <b>2,845,038</b>   | <b>2,616,617</b>   |
| Less current portion | <b>332,269</b>     | <b>124,473</b>     |
|                      | <b>\$2,512,769</b> | <b>\$2,492,144</b> |

### EDC

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

| Creditor/Project                               | Maturities       | Interest Rates                                                                             | 2014               | 2013               |
|------------------------------------------------|------------------|--------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>US\$300.0 Million Notes</b>                 | January 20, 2021 | 6.5%                                                                                       | \$297,545          | \$297,200          |
| <b>Peso Public Bonds</b>                       |                  |                                                                                            |                    |                    |
| ▪ 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             |
| <b>International Finance Corporation (IFC)</b> |                  |                                                                                            |                    |                    |
| ▪ 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             |
| <b>Fixed Rate Note Facility (FXCN)</b>         |                  |                                                                                            |                    |                    |
| ▪ ₱4.0 billion                                 | 2012-2022        | 6.6108%                                                                                    | 86,250             | 87,646             |
| ▪ ₱3.0 billion                                 | 2012-2022        | 6.6173%                                                                                    | 64,659             | 65,726             |
| <b>Refinanced Syndicated Term Loan</b>         |                  |                                                                                            |                    |                    |
| ▪ US\$175.0 million                            | June 27, 2017    | LIBOR plus 1.75% margin                                                                    | 121,504            | 138,457            |
| <b>Fixed Rate Bond (FXR)</b>                   |                  |                                                                                            |                    |                    |
| ▪ ₱4.0 billion                                 | May 3, 2023      | 4.7312%                                                                                    | 87,755             | 88,988             |
| ▪ ₱3.0 billion                                 | May 3, 2020      | 4.1583%                                                                                    | 66,395             | 66,767             |
| <b>US\$80 Million Term Loan</b>                | June 21, 2018    | LIBOR plus 1.8% margin                                                                     | 75,372             | 78,260             |
| <b>EBWPC Loans:</b>                            |                  |                                                                                            |                    |                    |
| ▪ \$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                                          |                  |                                                                                            | <b>1,473,440</b>   | <b>1,230,742</b>   |
| Less current portion                           |                  |                                                                                            | <b>226,234</b>     | <b>34,510</b>      |
| Noncurrent portion                             |                  |                                                                                            | <b>\$1,247,206</b> | <b>\$1,196,232</b> |

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                                                                             | <b>\$19,407</b> | <b>\$13,472</b> |



#### 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 Girozentrale. 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 15<sup>th</sup> and 39<sup>th</sup> 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.

| Nature                                                                                      | Repayment Schedule                                                            | Facility Amount | Outstanding Balances |           |
|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------|----------------------|-----------|
|                                                                                             |                                                                               |                 | 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       | <b>\$380,497</b>     | \$397,850 |
| Less current portion                                                                        |                                                                               |                 | <b>25,373</b>        | 17,353    |
| Noncurrent portion                                                                          |                                                                               |                 | <b>\$355,124</b>     | \$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.

| Nature                                                                                                                                                                                     | Repayment Schedule                                                            | Facility Amount | Outstanding Balances |           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------|----------------------|-----------|
|                                                                                                                                                                                            |                                                                               |                 | 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 1 <sup>st</sup> to 5 <sup>th</sup> year, 3.75% on the 6 <sup>th</sup> to 7 <sup>th</sup> year and 3.90% on the succeeding years | Repayment to be made in various semi-annual installments from 2009 up to 2018 | \$188,000       | <b>\$85,278</b>      | \$115,422 |
| Total                                                                                                                                                                                                                                                                                       |                                                                               |                 | <b>321,308</b>       | 366,008   |
| Less current portion                                                                                                                                                                                                                                                                        |                                                                               |                 | <b>39,727</b>        | 36,172    |
| Noncurrent portion                                                                                                                                                                                                                                                                          |                                                                               |                 | <b>\$281,581</b>     | \$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 5<sup>th</sup> anniversary of the Refinancing Date, (ii) 3.75% per annum from the 6<sup>th</sup> until the 7<sup>th</sup> anniversary of the Refinancing Date, and (iii) 3.90% per annum from the 8<sup>th</sup> 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 subsequently 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                                                                             | <u>\$9,406</u> |

#### 16. Other Noncurrent Liabilities

|                                  | 2014                   | 2013            |
|----------------------------------|------------------------|-----------------|
| Asset retirement obligations     | <b>\$18,183</b>        | \$16,084        |
| Accrued sick and vacation leaves | <b>9,209</b>           | 8,738           |
| Others                           | <b>12,093</b>          | 10,616          |
|                                  | <b><u>\$39,485</u></b> | <u>\$35,438</u> |

##### 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                                                                | <b>\$16,084</b>        | \$13,282        |
| Accretion for the year charged to “Interest expense and financing charges” account (see Note 21) | <b>1,026</b>           | 669             |
| Effect of revision of estimate                                                                   | <b>1,374</b>           | 3,243           |
| Foreign exchange adjustments                                                                     | <b>(301)</b>           | (1,110)         |
| Balances at end of year                                                                          | <b><u>\$18,183</u></b> | <u>\$16,084</u> |



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<br>(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<br>(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<br>(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<br>(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<br>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                        | <b>49.71%</b>    | 49.93%    |
| Accumulated balances of NCI                 |                  |           |
| EDC and Subsidiaries                        | <b>\$414,525</b> | \$379,852 |
| Total comprehensive income allocated to NCI |                  |           |
| EDC and Subsidiaries                        | <b>\$81,374</b>  | \$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          |
| <b>Total Assets</b>                 | <b>\$2,783,977</b> | <b>₱124,499,465</b> | <b>\$2,365,255</b> | <b>₱105,005,504</b> |
| 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          |
| <b>Total Liabilities</b>            | <b>1,808,573</b>   | <b>80,879,379</b>   | <b>1,548,835</b>   | <b>68,760,545</b>   |
| <b>Total Equity</b>                 | <b>975,404</b>     | <b>43,620,086</b>   | <b>816,420</b>     | <b>36,244,959</b>   |
| <b>Total Liabilities and Equity</b> | <b>\$2,783,977</b> | <b>₱124,499,465</b> | <b>\$2,365,255</b> | <b>₱105,005,504</b> |

*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            |
| <b>Income before income tax from continuing operations</b> | <b>294,030</b>   | <b>13,040,599</b>  | <b>144,880</b>   | <b>6,114,053</b>  | <b>268,496</b>   | <b>11,394,148</b>  |
| Provision for income tax                                   | (27,566)         | (1,222,590)        | (11,516)         | (485,983)         | (18,265)         | (775,123)          |
| <b>Net income from continuing operations</b>               | <b>266,464</b>   | <b>11,818,009</b>  | <b>133,364</b>   | <b>5,628,070</b>  | <b>250,231</b>   | <b>10,619,025</b>  |
| Net income (loss) from discontinued operations             | —                | —                  | —                | —                 | 2,297            | 97,495             |
| <b>Net income</b>                                          | <b>266,464</b>   | <b>11,818,009</b>  | <b>133,364</b>   | <b>5,628,070</b>  | <b>252,528</b>   | <b>10,716,520</b>  |
| Other comprehensive loss                                   | (833)            | (36,962)           | (3,429)          | (144,724)         | (12,398)         | (526,119)          |
| <b>Total comprehensive income</b>                          | <b>\$265,631</b> | <b>₱11,781,047</b> | <b>\$129,935</b> | <b>₱5,483,346</b> | <b>\$240,130</b> | <b>₱10,190,401</b> |



*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)         |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>(\$45,847)</b> | <b>(₱2,033,392)</b> | <b>\$109,094</b> | <b>₱4,603,820</b> | <b>(\$25,193)</b> | <b>(₱1,069,127)</b> |

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<br>(see Note 26) | <b>(\$4,230)</b> | (\$5,499)  |
| Foreign exchange adjustments                                | <b>12,513</b>    | (14,410)   |
|                                                             | <b>\$8,283</b>   | (\$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                              | <b>(\$19,909)</b> | \$62,920   |
| Net gains on cash flow hedge - net of tax<br>(see Note 26) | <b>1,269</b>      | 19,064     |
| Foreign exchange adjustments                               | <b>26,923</b>     | (101,893)  |
| Balances at end of year                                    | <b>\$8,283</b>    | (\$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:

- 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             |
|                                    | <b>\$24,803</b> | <b>\$20,203</b> | <b>\$16,378</b> |

*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    |
| <b>Due from related parties</b> (see Note 7) |                          |                               |                                              |        |                                                           |         |
| FPIC                                         | Interest-free advances   | Unsecured & payable by demand | <b>(\$5)</b>                                 | (\$64) | <b>\$772</b>                                              | \$777   |
| Lopez Inc. Retirement Fund (LIRF)            | Interest-free advances   | - do -                        | <b>(300)</b>                                 | 77     | <b>151</b>                                                | 451     |
| FGNEC                                        | Interest-free advances   | - do -                        | <b>(16)</b>                                  | (10)   | <b>184</b>                                                | 200     |
| Quialex Realty Corporation (QRC)             | Interest-free advances   | - do -                        | <b>32</b>                                    | 26     | <b>217</b>                                                | 185     |
| Others                                       | Interest-free advances   | - do -                        | <b>(30)</b>                                  | 138    | <b>1,197</b>                                              | 1,227   |
|                                              |                          |                               | <b>(\$319)</b>                               | \$167  | <b>\$2,521</b>                                            | \$2,840 |
| <b>Due to related parties</b>                |                          |                               |                                              |        |                                                           |         |
| FGHC International Ltd.                      | Interest-free advances   | Unsecured & payable by demand | \$—                                          | \$—    | <b>\$145</b>                                              | \$145   |
| LHC                                          | Donation to Lopez Museum | - do -                        | <b>(112)</b>                                 | 114    | <b>1</b>                                                  | 113     |
|                                              |                          |                               | <b>(\$112)</b>                               | \$114  | <b>\$146</b>                                              | \$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                                       | <b>\$856,796</b>   | \$969,778   | \$1,043,913 |
| Power plant operations and maintenance          | <b>167,899</b>     | 151,520     | 151,862     |
| Depreciation and amortization (Notes 10 and 11) | <b>153,233</b>     | 149,296     | 148,046     |
| Others                                          | <b>34,623</b>      | 30,721      | 30,820      |
|                                                 | <b>\$1,212,551</b> | \$1,301,315 | \$1,374,641 |

### General and Administrative Expenses

|                                                                                           | 2014             | 2013      | 2012      |
|-------------------------------------------------------------------------------------------|------------------|-----------|-----------|
| Staff costs                                                                               | <b>\$67,759</b>  | \$52,545  | \$54,038  |
| Professional fees                                                                         | <b>56,219</b>    | 45,146    | 36,782    |
| Insurance, taxes and licenses                                                             | <b>45,664</b>    | 34,683    | 48,896    |
| Depreciation and amortization (Notes 10 and 11)                                           | <b>10,677</b>    | 9,887     | 9,506     |
| Parts and supplies issued (Note 8)                                                        | <b>5,166</b>     | 3,720     | 3,631     |
| Repairs and maintenance                                                                   | <b>5,485</b>     | 3,174     | 1,418     |
| Provision for (reversal of) impairment of parts and supplies inventories (Notes 8 and 10) | <b>(571)</b>     | 2,915     | (1,968)   |
| Provision for doubtful accounts - net of recovery (Notes 7 and 12)                        | <b>1,344</b>     | 1,421     | 5,518     |
| Others (Note 19)                                                                          | <b>18,449</b>    | 15,725    | 17,762    |
|                                                                                           | <b>\$210,192</b> | \$169,216 | \$175,583 |



## 21. Financial Income (Expense)

### Interest Income

|                                                            | 2014           | 2013           | 2012            |
|------------------------------------------------------------|----------------|----------------|-----------------|
| Cash and cash equivalents<br>(see Note 6)                  | \$5,899        | \$8,892        | \$10,816        |
| Advances to a non-controlling<br>shareholder (see Note 2 ) | —              | —              | 2,886           |
| Others                                                     | 580            | 241            | 148             |
|                                                            | <b>\$6,479</b> | <b>\$9,133</b> | <b>\$13,850</b> |

### 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<br>(see Note 15)         | 7,426            | 5,685            | 9,728            |
| Asset retirement obligation<br>(see Note 16) | 1,026            | 669              | 743              |
| “Day 1” gain                                 | —                | —                | 258              |
| Pre-termination of loans and<br>bonds        | —                | —                | 453              |
|                                              | <b>\$167,487</b> | <b>\$149,365</b> | <b>\$173,736</b> |

## 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<br>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 &<br>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 &<br>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 &<br>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 &<br>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 &<br>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 &<br>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 &<br>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 &<br>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 &<br>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              | –               |
|                                                           | <b>34,309</b>   | <b>27,953</b>   |
| Investments in debt instruments                           |                 |                 |
| Government securities                                     | 12,883          | 10,283          |
| Investments in corporate bonds                            | 14,777          | 14,669          |
|                                                           | <b>27,660</b>   | <b>24,952</b>   |
| Investment in mutual funds                                | 390             | 203             |
|                                                           | <b>28,050</b>   | <b>25,155</b>   |
| Unquoted investments                                      |                 |                 |
| Cash and cash equivalents                                 | 15,078          | 12,141          |
| Receivables and other assets                              | 691             | 839             |
| Liabilities                                               | (31)            | (24)            |
|                                                           | <b>15,738</b>   | <b>12,956</b>   |
| Fair value of plan assets                                 | <b>\$78,097</b> | <b>\$66,064</b> |

- 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 | <b>\$1,789</b>  | \$1,802         |
| FPH:                                      | Parent company              |                 |                 |
| Voting common shares                      |                             | <b>2,811</b>    | 1,526           |
| First Gen:                                | Reporting entity            |                 |                 |
| Voting common shares                      |                             | <b>3,023</b>    | 3,316           |
| Non-voting preferred shares               |                             | <b>6,926</b>    | 6,977           |
| ABS-CBN Holdings Corporation<br>(ABS-CBN) | Affiliate                   | <b>192</b>      | 253             |
|                                           |                             | <b>\$14,741</b> | <b>\$13,874</b> |

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           |
|                                          | <b>\$236</b> | <b>\$100</b> | <b>\$331</b> | <b>\$166</b> |

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               | <b>4.16% - 4.67%</b> | 4.01% - 6.21% |
| Future salary increase rate | <b>5% - 10%</b>      | 5% - 12%      |
| Medical costs trend rate    | <b>7%</b>            | 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:

|                         |                                             | <b>2014</b>                                                 |
|-------------------------|---------------------------------------------|-------------------------------------------------------------|
|                         | Increase/Decrease<br>in Percentage<br>Point | Effect on Present<br>Value of Defined<br>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):

|                              | <b>2014</b> |
|------------------------------|-------------|
| 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:

|                                 | <b>2014</b>     | <b>2013</b> |
|---------------------------------|-----------------|-------------|
| Deferred income tax assets      | <b>\$27,874</b> | \$34,791    |
| Deferred income tax liabilities | <b>(20,381)</b> | (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           |
|                                                                                                      | <b>42,437</b>   | <b>51,157</b>   |
| 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)           |
|                                                                                                      | <b>(43,307)</b> | <b>(48,867)</b> |
| 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              | —               |
|                                                                                                      | <b>8,363</b>    | <b>9,555</b>    |
|                                                                                                      | <b>\$7,493</b>  | <b>\$11,845</b> |



Gold silk'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:

| Incurring for the<br>Year Ended<br>December 31 | Available Until<br>December 31 | NOLCO                                       |            | MCIT                                        |         |
|------------------------------------------------|--------------------------------|---------------------------------------------|------------|---------------------------------------------|---------|
|                                                |                                | <i>(In U.S. Dollar)(In Philippine Peso)</i> |            | <i>(In U.S. Dollar)(In Philippine Peso)</i> |         |
| 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                                        | <b>30.00%</b> | 30.00% | 30.00% |
| Income tax effect of:                                            |               |        |        |
| Foregone itemized deduction before reconciling items             | <b>7.35</b>   | 8.92   | 7.39   |
| Unrealized foreign exchange gains (losses)                       | <b>0.13</b>   | 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                                      | <b>(9.02)</b> | (9.74) | (9.06) |
| ITH incentives                                                   | <b>(1.98)</b> | (4.73) | (6.62) |
| Movement of temporary differences reversing during ITH           | <b>(0.03)</b> | (0.44) | 0.18   |
| Others                                                           | <b>(6.75)</b> | (7.57) | 0.77   |
| Effective income tax rate                                        | <b>19.70%</b> | 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.

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## 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    |
| <b>Fixed Rate</b>                |                |               |                                |                                 |                   |          |
| 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    |
| <b>Floating Rate</b>             |                |               |                                |                                 |                   |          |
| 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    |
| <b>Fixed Rate</b>        |                |               |                                |                                 |                   |          |
| 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    |
| <b>Floating Rate</b>     |                |               |                                |                                 |                   |          |
| 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)<br>in Basis Points | Increase (Decrease)<br>on Income Before<br>Income Tax | Increase (Decrease)<br>on Equity |
|--------------------------|----------------------------------------|-------------------------------------------------------|----------------------------------|
| <b>December 31, 2014</b> |                                        |                                                       |                                  |
| <b>U.S. Dollar</b>       | <b>+100</b>                            | <b>(\$8.23 million)</b>                               | <b>\$6.88 million</b>            |
|                          | <b>-100</b>                            | <b>8.23 million</b>                                   | <b>(13.23 million)</b>           |
| <b>Philippine Peso</b>   | <b>+100</b>                            | <b>(1.34 million)</b>                                 | <b>—</b>                         |
|                          | <b>-100</b>                            | <b>1.34 million</b>                                   | <b>—</b>                         |
| 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<br>Peso-<br>denominated<br>Balances | Euro-<br>denominated<br>Balance | Japanese<br>Yen-<br>denominated<br>Balance | Chilean<br>Peso<br>denominated<br>Balance | New Zealand<br>dollar<br>denominated<br>Balance | Sweden<br>kroner<br>denominated<br>Balance | Singapore<br>Dollar<br>denominated<br>Balance | Equivalent<br>U.S. Dollar<br>Balances <sup>1</sup> |
| <b>Financial Assets</b>                     |                                                |                                 |                                            |                                           |                                                 |                                            |                                               |                                                    |
| Loans and<br>receivables:                   |                                                |                                 |                                            |                                           |                                                 |                                            |                                               |                                                    |
| Cash and cash<br>equivalents                | ₱13,755.5                                      | €–                              | ¥–                                         | CHL₱151.1                                 | NZ\$–                                           | SEK–                                       | SG\$–                                         | \$307.6                                            |
| Receivables                                 | 7,604.9                                        | –                               | –                                          | –                                         | –                                               | –                                          | –                                             | 170.1                                              |
| Long-term<br>receivables                    | 34.1                                           | –                               | –                                          | –                                         | –                                               | –                                          | –                                             | 0.7                                                |
|                                             | 21,394.5                                       | –                               | –                                          | 151.1                                     | –                                               | –                                          | –                                             | 478.4                                              |
| AFS financial assets                        | 201.6                                          | –                               | –                                          | –                                         | –                                               | –                                          | –                                             | 4.5                                                |
| Financial assets at<br>FVPL                 | 523.6                                          | –                               | –                                          | –                                         | –                                               | –                                          | –                                             | 11.7                                               |
| Total financial<br>assets                   | 22,119.7                                       | –                               | –                                          | 151.1                                     | –                                               | –                                          | –                                             | 494.6                                              |
| <b>Financial Liabilities</b>                |                                                |                                 |                                            |                                           |                                                 |                                            |                                               |                                                    |
| Liabilities at<br>amortized cost:           |                                                |                                 |                                            |                                           |                                                 |                                            |                                               |                                                    |
| Accounts payable<br>and accrued<br>expenses | 7,522.5                                        | 6.4                             | 117.5                                      | –                                         | 0.3                                             | 1.6                                        | 0.1                                           | 177.6                                              |
| Due to related<br>parties                   | 6.60                                           | –                               | –                                          | –                                         | –                                               | –                                          | –                                             | 0.1                                                |
| Dividends<br>payable                        | 896.9                                          | –                               | –                                          | –                                         | –                                               | –                                          | –                                             | 20.1                                               |
| Long-term debts                             | 44,914.6                                       | –                               | –                                          | –                                         | –                                               | –                                          | –                                             | 1,004.3                                            |
| Total financial<br>liabilities              | 53,340.6                                       | 6.4                             | 117.5                                      | –                                         | 0.3                                             | 1.6                                        | 0.1                                           | 1,202.1                                            |
| Net financial<br>liabilities (assets)       | ₱31,220.9                                      | €6.4                            | ¥117.5                                     | (CHL₱151.1)                               | NZ\$0.3                                         | SEK1.6                                     | SG\$0.1                                       | \$707.5                                            |

<sup>1</sup> 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\$1.327 as of December 31, 2014.

|                                             | 2013                                           |                                 |                                            |                                           |                                                 |                                            |                                                   |                                                    |
|---------------------------------------------|------------------------------------------------|---------------------------------|--------------------------------------------|-------------------------------------------|-------------------------------------------------|--------------------------------------------|---------------------------------------------------|----------------------------------------------------|
|                                             | Original Currency                              |                                 |                                            |                                           |                                                 |                                            |                                                   |                                                    |
|                                             | Philippine<br>Peso-<br>denominated<br>Balances | Euro-<br>denominated<br>Balance | Japanese<br>Yen-<br>denominated<br>Balance | Chilean<br>Peso<br>denominated<br>Balance | New Zealand<br>dollar<br>denominated<br>Balance | Sweden<br>kroner<br>denominated<br>Balance | Great Britain<br>Pound-<br>denominated<br>Balance | Equivalent<br>U.S. Dollar<br>Balances <sup>1</sup> |
| <b>Financial Assets</b>                     |                                                |                                 |                                            |                                           |                                                 |                                            |                                                   |                                                    |
| Loans and<br>receivables:                   |                                                |                                 |                                            |                                           |                                                 |                                            |                                                   |                                                    |
| Cash and cash<br>equivalents                | ₱16,609.2                                      | €–                              | ¥–                                         | CHL₱96.0                                  | NZ\$–                                           | SEK–                                       | £–                                                | \$374.1                                            |
| Receivables                                 | 4,826.0                                        | –                               | –                                          | –                                         | –                                               | –                                          | –                                                 | 108.7                                              |
| Long-term<br>receivables                    | 15.5                                           | –                               | –                                          | –                                         | –                                               | –                                          | –                                                 | 0.3                                                |
|                                             | 21,450.7                                       | –                               | –                                          | 96.0                                      | –                                               | –                                          | –                                                 | 483.1                                              |
| AFS financial assets                        | 347.8                                          | –                               | –                                          | –                                         | –                                               | –                                          | –                                                 | 7.8                                                |
| Total financial<br>assets                   | 21,798.5                                       | –                               | –                                          | 96.0                                      | –                                               | –                                          | –                                                 | 490.9                                              |
| <b>Financial Liabilities</b>                |                                                |                                 |                                            |                                           |                                                 |                                            |                                                   |                                                    |
| Liabilities at<br>amortized cost:           |                                                |                                 |                                            |                                           |                                                 |                                            |                                                   |                                                    |
| Accounts payable<br>and accrued<br>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<br>liabilities              | 49,356.0                                       | 6.5                             | 13.8                                       | –                                         | 0.6                                             | 1.3                                        | 0.1                                               | 1,121.7                                            |
| Net financial<br>liabilities (assets)       | ₱27,557.5                                      | €6.5                            | ¥13.8                                      | (CHL₱96.0)                                | NZ\$0.6                                         | SEK1.3                                     | £0.1                                              | \$630.8                                            |

<sup>1</sup> 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<br>Appreciates<br>(Depreciates) By | Increase (Decrease)<br>on Income Before<br>Income Tax | Increase (Decrease)<br>on Equity |
| <i>(Amounts in Millions)</i> |                                                     |                                                       |                                  |
| 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<br>Appreciates<br>(Depreciates) By | Increase (Decrease)<br>on Income Before<br>Income Tax | Increase (Decrease)<br>on Equity |
| <i>(Amounts in Millions)</i> |                                                     |                                                       |                                  |
| Philippine Peso              | 2%                                                  | \$0.87                                                | (\$13.04)                        |
|                              | (2%)                                                | (0.90)                                                | 13.60                            |
| European Euro                | 3%                                                  | (0.37)                                                | —                                |
|                              | (3%)                                                | 0.37                                                  | —                                |
| Japanese Yen                 | 10%                                                 | (0.01)                                                | —                                |
|                              | (10%)                                               | 0.01                                                  | —                                |
| Sweden Kroner                | 10%                                                 | (0.02)                                                | —                                |
|                              | (10%)                                               | 0.02                                                  | —                                |
| New Zealand Dollar           | 10%                                                 | (0.05)                                                | —                                |
|                              | (10%)                                               | 0.06                                                  | —                                |
| Chilean Peso                 | 10%                                                 | (2.33)                                                | —                                |
|                              | (10%)                                               | 2.84                                                  | —                                |
| Great Britain Pound          | 10%                                                 | (0.02)                                                | —                                |
|                              | (10%)                                               | 0.03                                                  | —                                |

The effect of changes in foreign currency rates in equity pertains to the fair valuation of the derivatives designated as cash flow hedges and is exclusive of the impact of changes affecting First Gen Group's 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               |
|----------------------------------------------------------|--------------------|--------------------|
| <b>Financial assets accounted for as cash flow hedge</b> |                    |                    |
| Derivative assets                                        | \$5,006            | \$4,317            |
| <b>Financial assets at FVPL</b>                          |                    |                    |
| Designated as at FVPL                                    | 11,708             | —                  |
| Derivative assets                                        | —                  | 170                |
| Total financial assets at FVPL                           | 11,708             | 170                |
| <b>Loans and receivables</b>                             |                    |                    |
| 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          |
| <b>AFS financial assets</b>                              |                    |                    |
| 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             |
|                                                          | <b>\$1,085,385</b> | <b>\$1,229,018</b> |

\*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                                                                        |                                     |                           |                      |                                 |                 |                             |             |
|-----------------------------------------------------------------------------|-------------------------------------|---------------------------|----------------------|---------------------------------|-----------------|-----------------------------|-------------|
|                                                                             | Neither Past<br>Due nor<br>Impaired | Past Due but Not Impaired |                      |                                 |                 | Past<br>Due and<br>Impaired | Total       |
|                                                                             |                                     | Less than<br>30 Days      | 31 Days<br>to 1 Year | Over 1 Year<br>up to<br>3 Years | Over<br>3 Years |                             |             |
| 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<br>shares                                       | 1,014                               | -                         | -                    | -                               | -               | -                           | 1,014       |
| Financial assets at FVPL -<br>Designated as at FVPL                         | 11,708                              | -                         | -                    | -                               | -               | -                           | 11,708      |
| Financial assets accounted for as cash<br>flow hedge -<br>Derivative assets | 5,006                               | -                         | -                    | -                               | -               | -                           | 5,006       |
| Total                                                                       | \$992,606                           | \$30,576                  | \$60,418             | \$1,785                         | \$-             | \$3,820                     | \$1,089,205 |

| 2013                                                                        |                                     |                           |                      |                                 |                 |                             |             |
|-----------------------------------------------------------------------------|-------------------------------------|---------------------------|----------------------|---------------------------------|-----------------|-----------------------------|-------------|
|                                                                             | Neither Past<br>Due nor<br>Impaired | Past Due but Not Impaired |                      |                                 |                 | Past<br>Due and<br>Impaired | Total       |
|                                                                             |                                     | Less than<br>30 Days      | 31 Days<br>to 1 Year | Over 1 Year<br>up to<br>3 Years | Over<br>3 Years |                             |             |
| 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<br>shares                                       | 744                                 | -                         | -                    | -                               | -               | -                           | 744         |
| Financial assets at FVPL -<br>Derivative assets                             | 170                                 | -                         | -                    | -                               | -               | -                           | 170         |
| Financial assets accounted for as cash<br>flow hedge -<br>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  | <b>\$181,152</b> | \$247,026 |
| Trade receivables from NPC      | <b>83,615</b>    | 41,813    |
| Total credit concentration risk | <b>\$264,767</b> | \$288,839 |
| Total receivables               | <b>\$386,985</b> | \$334,847 |
| Credit concentration percentage | <b>68.4%</b>     | 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      |                    |                |                           |              | Total       |
|-------------------------------------------------------------|-----------|--------------------|----------------|---------------------------|--------------|-------------|
|                                                             | On Demand | Less than 3 Months | 3 to 12 Months | Over 1 Year up to 5 Years | Over 5 Years |             |
| 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      |                    |                |                           |              | Total       |
|---------------------------------------------------------------|-----------|--------------------|----------------|---------------------------|--------------|-------------|
|                                                               | On Demand | Less than 3 Months | 3 to 12 Months | Over 1 Year up to 5 Years | Over 5 Years |             |
| 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)  | <b>\$2,845,038</b> | \$2,616,617 |
| Loans payable                                       | –                  | 53,829      |
| Total debt                                          | <b>\$2,845,038</b> | \$2,670,446 |
| Equity attributable to equity holders of the Parent |                    |             |
| Company                                             | <b>\$1,498,081</b> | \$1,350,015 |
| Non-controlling interests                           | <b>414,525</b>     | 379,852     |
| Total equity                                        | <b>\$1,912,606</b> | \$1,729,867 |
| Total debt and equity                               | <b>\$4,757,644</b> | \$4,400,313 |
| Debt ratio                                          | <b>60:40</b>       | 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 |
| <b>Financial Assets</b>                                                |                |                |                |            |
| Financial assets accounted for as cash flow hedges - Derivative assets | <b>\$5,006</b> | <b>\$5,006</b> | \$4,317        | \$4,317    |
| Financial assets at FVPL -                                             |                |                |                |            |
| Designated at FVPL                                                     | <b>11,708</b>  | <b>11,708</b>  | –              | –          |
| Derivative assets                                                      | –              | –              | 170            | 170        |
| Total financial assets at FVPL                                         | <b>11,708</b>  | <b>11,708</b>  | 170            | 170        |
| Loans and receivables:                                                 |                |                |                |            |
| Cash and cash equivalents                                              | <b>673,893</b> | <b>673,893</b> | 870,253        | 870,253    |
| Receivables:                                                           |                |                |                |            |
| Trade                                                                  | <b>369,876</b> | <b>369,876</b> | 321,077        | 321,077    |
| Due from related parties                                               | <b>2,521</b>   | <b>2,521</b>   | 2,840          | 2,840      |
| Others                                                                 | <b>14,588</b>  | <b>14,588</b>  | 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 |
| <b>Financial Liabilities</b>                     |                |             |                |             |
| 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 |
| <b>Derivatives Designated as Accounting Hedges</b> |                   |                        |                 |                   |                        |                 |
| 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 |
| <b>Derivatives not Designated as Accounting Hedges</b> |                   |                        |                 |                   |                        |                 |
| Freestanding derivatives -                             |                   |                        |                 |                   |                        |                 |
| Foreign currency forwards                              | \$-               | \$-                    | \$-             | \$0.17            | \$-                    | \$105.60        |
| <b>Total derivatives</b>                               | <b>5.01</b>       | <b>33.35</b>           |                 | <b>4.49</b>       | <b>34.59</b>           |                 |
| Presented as:                                          |                   |                        |                 |                   |                        |                 |
| Current                                                | \$0.49            | \$0.42                 |                 | \$0.32            | \$0.01                 |                 |
| Noncurrent                                             | 4.52              | 32.93                  |                 | 4.17              | 34.58                  |                 |
| <b>Total derivatives</b>                               | <b>\$5.01</b>     | <b>\$33.35</b>         |                 | <b>\$4.49</b>     | <b>\$34.59</b>         |                 |

#### 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 PH₱ - 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<br>(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                                                  | <b>(\$1,065)</b> | (\$3,403) |
| Fair value changes taken into equity during the year                           | <b>(89,137)</b>  | 5,797     |
| Fair value changes realized during the year                                    | <b>87,673</b>    | 1,035     |
| Foreign exchange losses realized taken to the consolidated statement of income | <b>(1,181)</b>   | (4,494)   |
|                                                                                | <b>(3,710)</b>   | (1,065)   |
| Deferred income tax effect on cash flow hedges                                 | <b>(352)</b>     | (234)     |
| Balances at end of year                                                        | <b>(\$4,062)</b> | (\$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 |
|---------------------------------------------|---------------------|
| <u>Negros</u>                               |                     |
| Dynasty Management Development Corp. (DMDC) | March 25, 2016      |
| <u>Panay</u>                                |                     |
| 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 |
|-------------------------------------------------------------|----------------|---------------------|
| <u>Manila</u>                                               |                |                     |
| FGES                                                        | June 26, 2013  | June 25, 2023       |
| <u>Leyte</u>                                                |                |                     |
| 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       |
| <u>Cebu</u>                                                 |                |                     |
| 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       |
| <u>Negros</u>                                               |                |                     |
| 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       |
| <u>Bohol</u>                                                |                |                     |
| Bohol II Electric Cooperative, Inc. (BOHECO II)*            | Jan. 26, 2013  | Jan. 25, 2040       |
| <u>Panay</u>                                                |                |                     |
| 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.<br>(PASAR)  | Dec. 26, 2012  | Dec. 25, 2015       |
| Camarines Sur II Electric Cooperative, Inc.<br>(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, Taiheiy 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 3 <sup>rd</sup> 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 PNOG Exploration Corporation (collectively referred to as Gas Sellers), for the supply of natural gas in connection with the operations of the power plants. The GSAs, 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 GSAs 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:

| <b>Projects</b>          | <b>DOE Certificates of Registration</b> |
|--------------------------|-----------------------------------------|
| 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:

| <b>Projects</b>                                          | <b>DOE Certificates of Registration</b> |
|----------------------------------------------------------|-----------------------------------------|
| 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 SESCOs cover the following areas:

| <b>Projects</b>                 | <b>DOE Certificates of Registration</b> |
|---------------------------------|-----------------------------------------|
| 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 20<sup>th</sup> 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 3<sup>rd</sup> 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 (P610.9 million), \$11.8 million (P498.2 million), and \$14.2 million (P601.3 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            |
|                                             | <b>\$4,951</b> | <b>\$8,130</b> |

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 11<sup>th</sup> 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.

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## 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 Balintongan 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:

| <b>Contract</b>                                      | <b>Counterparty</b>                    | <b>Salient points</b>                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------------------------|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.

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## **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.



## **EXHIBIT “C”**

**SRC RULE 68, As Amended (2011)  
(Schedules)**

## FIRST GEN CORPORATION AND SUBSIDIARIES

### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

#### FORM 17-A, Item 7

December 31, 2014

Page No.

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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.*

## **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<br>Name of Subsidiary/ Counterparty    | Beginning<br>Balance | Additions | Collections | Reclassifications/<br>Revaluations | Amounts<br>Written Off | Ending Balance |             | Amount<br>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                  |
| Goldsilks 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<br>Balance | Additions<br>At Cost | Deductions                          |                                 | Other Changes-<br>Additions<br>(Deductions)* | Ending<br>Balance |
|-------------------------------------------------------------------|----------------------|----------------------|-------------------------------------|---------------------------------|----------------------------------------------|-------------------|
|                                                                   |                      |                      | Charged to<br>Costs<br>and Expenses | Charged to<br>Other<br>Accounts |                                              |                   |
| <b>A) Goodwill and Intangible assets</b>                          |                      |                      |                                     |                                 |                                              |                   |
| Goodwill                                                          | \$1,084,707          | \$2,624              | \$-                                 | \$-                             | (\$7,838)                                    | \$1,079,493       |
| Concession rights for contracts acquired - net of<br>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>B) Other Assets</b>                                            |                      |                      |                                     |                                 |                                              |                   |
| Input value added tax - net of allowance<br>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<br>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<br>Type of Obligation   | Total<br>Loans - net | Amount<br>Shown as<br>Current - net | Amount<br>Shown as<br>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<br>Shares<br>Authorized | Number of<br>Shares Issued<br>and<br>Outstanding | Number of<br>Shares Reserved<br>for Options,<br>Warrants,<br>Conversions, and<br>Other Rights | Number of Shares Held By |                                         |               |
|---------------------------------------|-----------------------------------|--------------------------------------------------|-----------------------------------------------------------------------------------------------|--------------------------|-----------------------------------------|---------------|
|                                       |                                   |                                                  |                                                                                               | Affiliates               | Directors,<br>Officers and<br>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 |

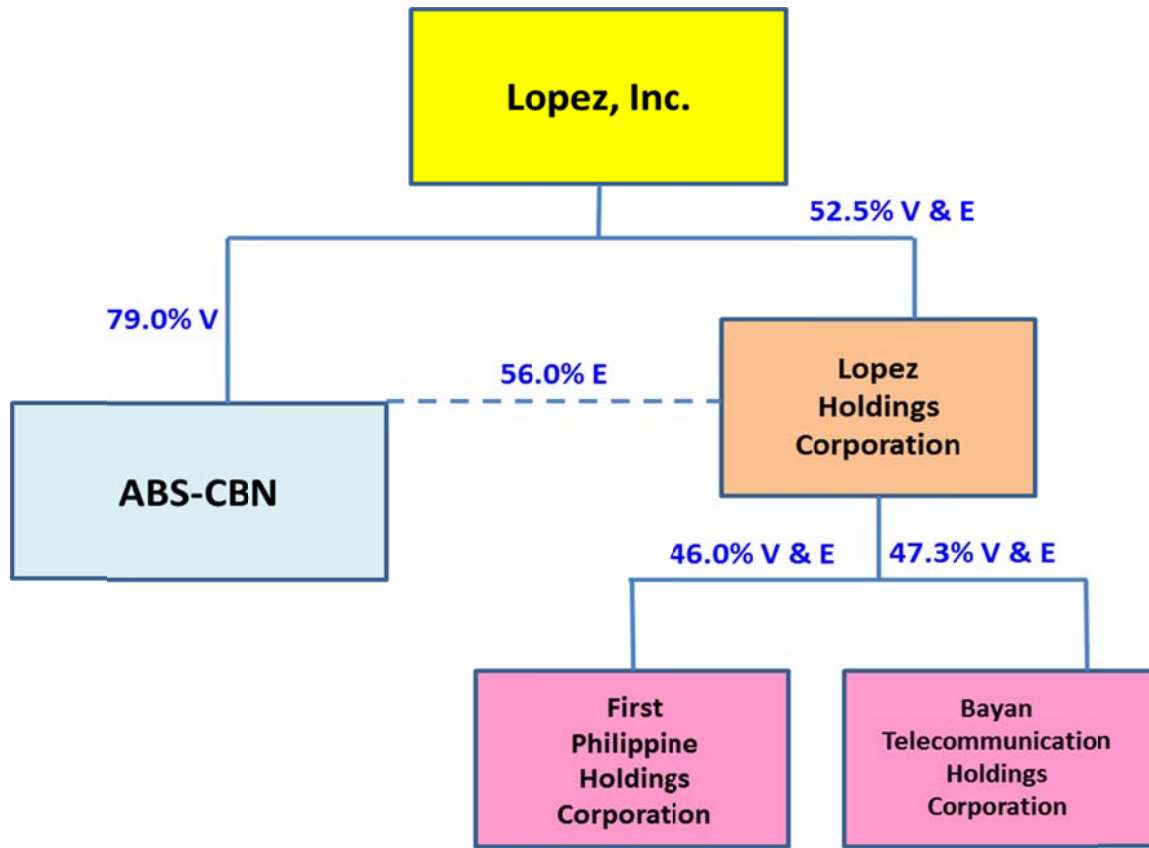
*Note: Please refer to Note 17 to the consolidated financial statements for additional information regarding the movements in Capital stock.*

*\* 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.*

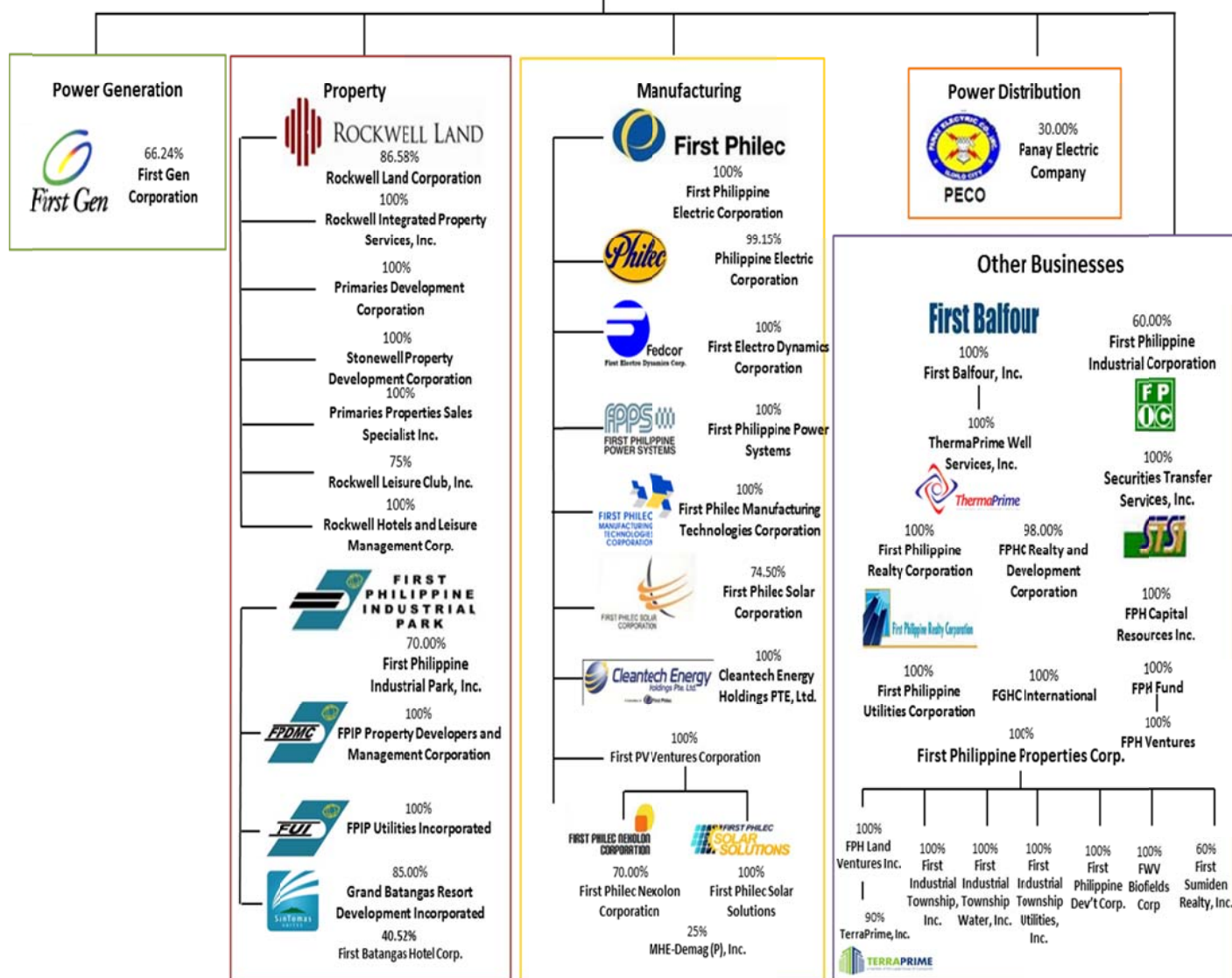
**FIRST GEN CORPORATION****SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS****AVAILABLE FOR DIVIDEND DECLARATION****DECEMBER 31, 2014****(Amounts in U.S. Dollars and in Thousands)**

|                                                                                                                                 |            |                  |
|---------------------------------------------------------------------------------------------------------------------------------|------------|------------------|
| 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)         |
| <b>TOTAL RETAINED EARNINGS, AS ADJUSTED TO AVAILABLE FOR DIVIDEND DECLARATION, END</b>                                          |            | <b>\$390,125</b> |



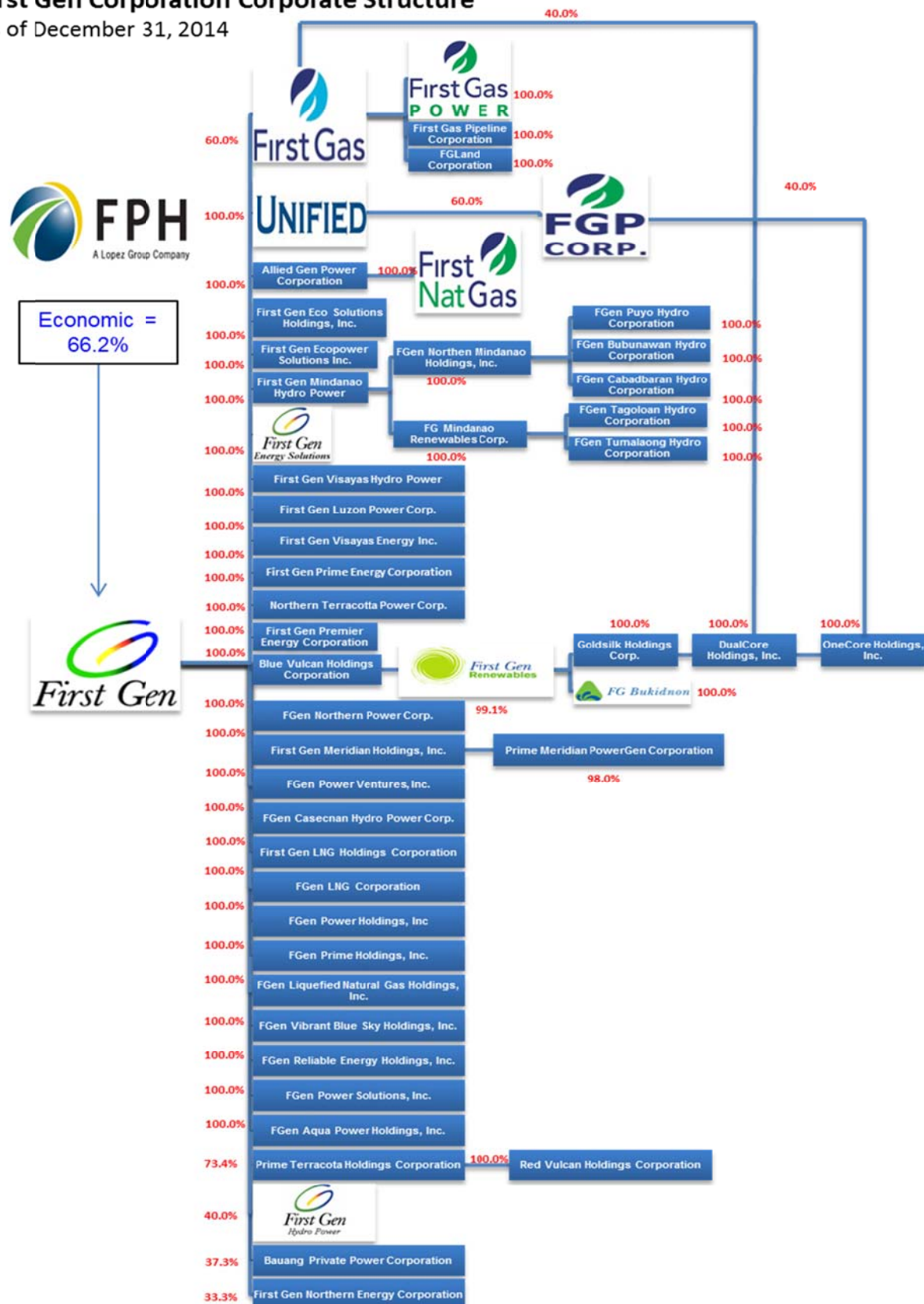


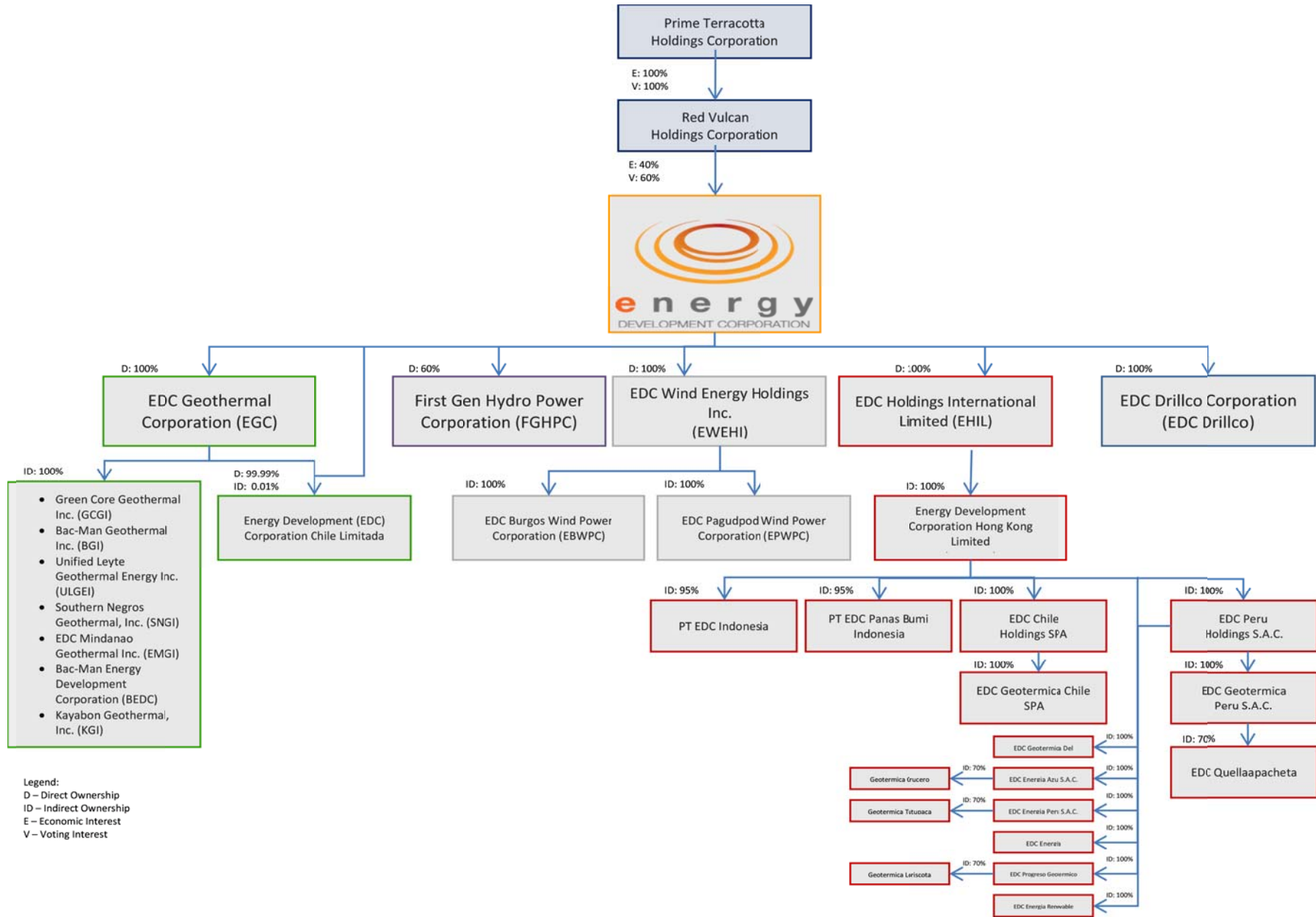
*Legend:*  
*E = Economic*  
*V = Voting*



\*FPH's Corporate Structure as of December 31, 2014.

As of December 31, 2014





**FIRST GEN CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS**  
**AND INTERPRETATIONS**  
**DECEMBER 31, 2014**

| <b>PHILIPPINE FINANCIAL REPORTING STANDARDS<br/>AND INTERPRETATIONS<br/>Effective as of December 31, 2014</b>                                                    |                                                                                                                      | <b>Adopted</b> | <b>Not<br/>Adopted</b> | <b>Not<br/>Applicable</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------|------------------------|---------------------------|
| <b>Framework for the Preparation and Presentation of Financial<br/>Statements</b><br>Conceptual Framework Phase A: Objectives and qualitative<br>characteristics |                                                                                                                      | ✓              |                        |                           |
| <b>PFRSs Practice Statement Management Commentary</b>                                                                                                            |                                                                                                                      |                | ✓                      |                           |
| <b>Philippine Financial Reporting Standards</b>                                                                                                                  |                                                                                                                      |                |                        |                           |
| <b>PFRS 1<br/>(Revised)</b>                                                                                                                                      | First-time Adoption of Philippine Financial Reporting<br>Standards                                                   | ✓              |                        |                           |
|                                                                                                                                                                  | Amendments to PFRS 1 and PAS 27: Cost of an<br>Investment in a Subsidiary, Jointly Controlled Entity or<br>Associate | ✓              |                        |                           |
|                                                                                                                                                                  | Amendments to PFRS 1: Additional Exemptions for<br>First-time Adopters                                               |                |                        | ✓                         |
|                                                                                                                                                                  | Amendment to PFRS 1: Limited Exemption from<br>Comparative PFRS 7 Disclosures for First-time<br>Adopters             |                |                        | ✓                         |
|                                                                                                                                                                  | Amendments to PFRS 1: Severe Hyperinflation and<br>Removal of Fixed Date for First-time Adopters                     |                |                        | ✓                         |
|                                                                                                                                                                  | Amendments to PFRS 1: Government Loans                                                                               |                |                        | ✓                         |
| <b>PFRS 2</b>                                                                                                                                                    | Share-based Payment                                                                                                  | ✓              |                        |                           |
|                                                                                                                                                                  | Amendments to PFRS 2: Vesting Conditions and<br>Cancellations                                                        |                |                        | ✓                         |
|                                                                                                                                                                  | Amendments to PFRS 2: Group Cash-settled Share-<br>based Payment Transactions                                        | ✓              |                        |                           |
| <b>PFRS 3<br/>(Revised)</b>                                                                                                                                      | Business Combinations                                                                                                | ✓              |                        |                           |
| <b>PFRS 4</b>                                                                                                                                                    | Insurance Contracts                                                                                                  | ✓              |                        |                           |
|                                                                                                                                                                  | Amendments to PAS 39 and PFRS 4: Financial<br>Guarantee Contracts                                                    | ✓              |                        |                           |
| <b>PFRS 5</b>                                                                                                                                                    | Non-current Assets Held for Sale and Discontinued<br>Operations                                                      | ✓              |                        |                           |
| <b>PFRS 6</b>                                                                                                                                                    | Exploration for and Evaluation of Mineral Resources                                                                  | ✓              |                        |                           |
| <b>PFRS 7</b>                                                                                                                                                    | Financial Instruments: Disclosures                                                                                   | ✓              |                        |                           |
|                                                                                                                                                                  | Amendments to PAS 39 and PFRS 7: Reclassification<br>of Financial Assets                                             | ✓              |                        |                           |

*\*Standards and interpretations which will become effective subsequent to December 31, 2014.*



| <b>PHILIPPINE FINANCIAL REPORTING STANDARDS<br/>AND INTERPRETATIONS</b><br>Effective as of December 31, 2014 |                                                                                                                          | <b>Adopted</b>    | <b>Not<br/>Adopted</b> | <b>Not<br/>Applicable</b> |
|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------|------------------------|---------------------------|
| <b>PFRS 7</b>                                                                                                | 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 |                        |                           |
| <b>PFRS 8</b>                                                                                                | Operating Segments                                                                                                       | ✓                 |                        |                           |
| <b>PFRS 9</b>                                                                                                | Financial Instruments *                                                                                                  | Not early adopted |                        |                           |
|                                                                                                              | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*                                     | Not early adopted |                        |                           |
| <b>PFRS 10</b>                                                                                               | 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* | ✓                 |                        |                           |
| <b>PFRS 11</b>                                                                                               | Joint Arrangements                                                                                                       |                   |                        | ✓                         |
|                                                                                                              | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*                                     |                   |                        | ✓                         |
| <b>PFRS 12</b>                                                                                               | 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 |                        |                           |
| <b>PFRS 13</b>                                                                                               | Fair Value Measurement                                                                                                   | ✓                 |                        |                           |
| <b>PFRS 14</b>                                                                                               | Regulatory Deferral Accounts*                                                                                            | Not early adopted |                        |                           |
| <b>Philippine Accounting Standards</b>                                                                       |                                                                                                                          |                   |                        |                           |
| <b>PAS 1<br/>(Revised)</b>                                                                                   | 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<br>AND INTERPRETATIONS<br>Effective as of December 31, 2014 |                                                                                                        | Adopted           | Not<br>Adopted | Not<br>Applicable |
|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|-------------------|----------------|-------------------|
| PAS 1<br>(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<br>(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<br>(Revised)                                                                                  | Borrowing Costs                                                                                        | ✓                 |                |                   |
| PAS 24<br>(Revised)                                                                                  | Related Party Disclosures                                                                              | ✓                 |                |                   |
| PAS 26                                                                                               | Accounting and Reporting by Retirement Benefit Plans                                                   | ✓                 |                |                   |
| PAS 27<br>(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<br>AND INTERPRETATIONS<br>Effective as of December 31, 2014 |                                                                                                                          | Adopted           | Not<br>Adopted | Not<br>Applicable |
|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------|----------------|-------------------|
| PAS 28<br>(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<br>AND INTERPRETATIONS<br>Effective as of December 31, 2014 |                                                                                                                | Adopted           | Not<br>Adopted | Not<br>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*                                                                |                   |                | ✓                 |
| <b>Philippine Interpretations</b>                                                                    |                                                                                                                |                   |                |                   |
| IFRIC 1                                                                                              | Changes in Existing Decommissioning, Restoration and Similar Liabilities                                       | ✓                 |                |                   |
| IFRIC 2                                                                                              | Members' Share in Co-operative Entities and Similar Instruments                                                |                   |                | ✓                 |
| IFRIC 4                                                                                              | <i>Determining Whether an Arrangement Contains a Lease</i>                                                     | ✓                 |                |                   |
| IFRIC 5                                                                                              | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds           | ✓                 |                |                   |
| IFRIC 6                                                                                              | <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i> |                   |                | ✓                 |
| IFRIC 7                                                                                              | <i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>       |                   |                | ✓                 |
| IFRIC 8                                                                                              | <i>Scope of PFRS 2</i>                                                                                         | ✓                 |                |                   |
| IFRIC 9                                                                                              | Reassessment of Embedded Derivatives                                                                           | ✓                 |                |                   |
|                                                                                                      | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives                               | ✓                 |                |                   |
| IFRIC 10                                                                                             | <i>Interim Financial Reporting and Impairment</i>                                                              | ✓                 |                |                   |
| 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<br>AND INTERPRETATIONS<br>Effective as of December 31, 2014 |                                                                              | Adopted | Not<br>Adopted | Not<br>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.*



## 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.                                                                            |

# **EXHIBIT “D”**

## **REPORT OF THE AUDIT COMMITTEE FOR THE YEAR 2014**



**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.



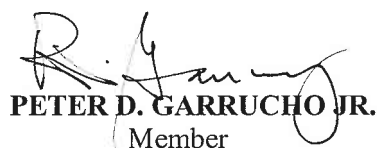
**JAIME I. AYALA**

Chairman



**TONY TAN CAKTIONG**

Member



**PETER D. GARRUCHO JR.**

Member



**ELPIDIO L. IBÁÑEZ**

Member