

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. **3rd 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 12, 2014 (Monday)
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 16, 2014**

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 (as of February 28, 2014)
Common Stock	3,363,913,757

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 TO NOT 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 12, 2014** at The Rockwell Tent, Plaza Garden, Rockwell Center, Makati City. The complete mailing address of the registrant is:

FIRST GEN CORPORATION
3rd 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 13, 2014) approximately on or before April 16, 2014.

Item 2. Dissenters' Right of Appraisal

There are no matters or actions to be taken up at the meeting which will give rise to a possible exercise by stockholders of their appraisal rights under Section 81 of the Corporation Code of the Philippines.

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 13, 2014, the registrant's outstanding shares consist of 3,363,913,757 common shares, of which 551,851,110 shares (16.41%) 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 500 shares (0.0005%) are held by foreigners; and 133,750,000 Series "G" non-voting preferred shares, of which 137,000 shares (0.1024%) 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 13, 2014. 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 13, 2014 on matters where holders of non-voting shares are entitled to vote under Section 6 of the Corporation Code of the Philippines.

- 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 13, 2014, the Company knows of no one who is directly or indirectly the record or beneficial owner of more than 5% of the corporation's capital stock except as set forth below:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Common Shares
Common	First Philippine Holdings Corp. (FPH) 4 th Floor Benpres Building Exchange Road cor. Meralco Avenue, Pasig City FPH is the parent of the Corporation.	FPH is the record and beneficial owner of the shares indicated. ¹	Filipino	2,228,239,159	66.24%
Common	PCD Nominee Corp. (Filipino)	Various		551,632,492	16.40%
	PCD Nominee Corp. (Foreign)			538,287,301	16.00%

	Owner of more than 5% under PCD Nominee Corp.				
Common	Deutsche Bank Manila-Clients A/C 26 th Floor Ayala Tower One Ayala Triangle, Makati City The Hongkong and Shanghai Banking Corp. Ltd. -Clients' Acct. HSBC Securities Services, 12 th Floor The Enterprise Center, Tower I, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City	Various Various	Foreign Foreign	239,461,189 195,893,496	7.12% 5.82%

¹ 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.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Voting Preferred Shares
Voting Preferred Shares (Series B and E)	FPH	FPH is the record and beneficial owner of the shares. ²	Filipino	1,468,553,892	100.00%

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Non-Voting Preferred Shares
Non-Voting Preferred Shares (Series F)	FPH	FPH is the record and beneficial owner of the shares.	Filipino	52,434,000	22.43%
Non-Voting Preferred Shares (Series F)	PCD Nominee Corp. (Filipino)	Various	Filipino	45,165,500	19.32%

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Non-Voting Preferred Shares
Non-Voting Preferred Shares (Series G)	FPH	FPH is the record and beneficial owner of the shares.	Filipino	50,296,450	21.52%
Non-Voting Preferred Shares (Series G)	PCD Nominee Corp. (Filipino)	Various		81,423,050	34.83%

	Owner of more than 5% under PCD Nominee Corp.				
Non-Voting Preferred Shares (Series G)	BDO Securities Corporation 27 th Floor Tower I & Exchange Plaza Ayala Ave., Makati City	Various	Filipino	40,448,440	17.30%

(2) Security Ownership of Management as of March 13, 2014:

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

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage to Common Shares
Common	Oscar M. Lopez	Direct - 5,461,226	Filipino	0.1623%
Common	Federico R. Lopez	Direct - 5,569,397	Filipino	0.1656%
Common	Francis Giles B. Puno	Direct - 8,090,930	Filipino	0.2405%
Common	Richard B. Tantoco	Direct - 4,748,820	Filipino	0.1412%
Common	Peter D. Garrucho Jr.	Direct - 6,887,004	Filipino	0.2047%

² 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.

Common	Elpidio L. Ibañez	Direct - 1,900,000	Filipino	0.0565%
Common	Eugenio L. Lopez III	Direct - 150	Filipino	0.0000%
Common	Tony Tan Caktiong	Direct - 165	Filipino	0.0000%
Common	Jaime I. Ayala	1	Filipino	0.0000%
Common	Ernesto B. Pantangco	Direct - 2,681,866	Filipino	0.0797%
Common	Jonathan C. Russell	Direct - 1,929,538	British	0.0574%
Common	Renato A. Castillo	0	Filipino	0.0000%
Common	Victor B. Santos Jr.	0	Filipino	0.0000%
Common	Emmanuel P. Singson	Direct - 705,000	Filipino	0.0210%
Common	Nestor H. Vasay	Direct - 525,000	Filipino	0.0156%
Common	Ferdinand Edwin S. Co Seteng	0	Filipino	0.0000%
Common	Colin Fleming	Direct - 33,300	British	0.0010%
Common	Erwin O. Avante	Direct - 273,875	Filipino	0.0081%
Common	Jerome H. Cainglet	Direct - 294,416	Filipino	0.0088%
Common	Teodorico R. Delfin	0	Filipino	0.0000%
Common	Valerie Y. Dy Sun	0	Filipino	0.0000%
Common	Ana Karina P. Gerochi	0	Filipino	0.0000%
Common	Dennis P. Gonzales	Direct - 465,000	Filipino	0.0138%
Common	Shirley C. Hombrebueno	Direct - 410,749	Filipino	0.0122%
Common	Ariel Arman V. Lapus	0	Filipino	0.0000%
Common	Jorge H. Lucas	Direct - 169,729	Filipino	0.0050%
Common	Aloysius L. Santos	0	Filipino	0.0000%
Common	Carmina Z. Ubaña	Direct - 10,268	Filipino	0.0003%
Common	Daniel H. Valeriano Jr.	Direct - 1,300,000	Filipino	0.0386%
Common	Charlie R. Valerio	0	Filipino	0.0000%
Common	Ma. Theresa M. Villanueva	0	Filipino	0.0000%
Common	Vincent C. Villegas	Direct - 245,269	Filipino	0.0073%
Common	Michael Christopher Young	0	New Zealander	0.0000%
Common	Rachel R. Hernandez	Direct - 8,299	Filipino	0.0002%
Common	Anna Marie M. Sencio	0	Filipino	0.0000%

As of March 13, 2014, the aggregate amount of common shares registered in the names of the directors and officers of the Corporation is 41,710,002.

(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. ("FPH") 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 FPH 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 8, 2013:

Director	Nationality	Position	Age	Year Position was Assumed
Oscar M. Lopez	Filipino	Chairman Emeritus	84	1998
Federico R. Lopez	Filipino	Chairman	52	1998
Francis Giles B. Puno	Filipino	Director	49	2005
Richard B. Tantoco	Filipino	Director	47	2005
Peter D. Garrucho Jr.	Filipino	Director	70	1998
Elpidio L. Ibañez	Filipino	Director	63	1998
Eugenio L. Lopez III	Filipino	Director	61	2009
Tony Tan Caktiong	Filipino	Independent Director	61	2005
Jaime I. Ayala	Filipino	Independent Director	52	2013

Oscar M. Lopez, born April 19, 1930, Filipino, held the position of Chairman of First Gen from the company's incorporation in December 1998 until January 2010, when the board of directors bestowed upon him the title Chairman Emeritus. He is Chairman Emeritus of publicly-listed companies FPH and Energy Development Corporation ("EDC"), and sits in the boards of publicly-listed companies Lopez Holdings Corporation (formerly Benpres Holdings Corporation) and ABS-CBN Corporation. Mr. Lopez was conferred the degrees of Doctor of Humanities *honoris causa* by the De La Salle University and Ateneo de Manila University in 2010, and Doctor of Laws *honoris causa* by the Philippine Women's University (2009) and the University of the Philippines (2012). Mr. Lopez has a master's degree in Public Administration from the Littauer School of Public Administration, Harvard University (1955). Mr. Lopez also earned his Bachelor of Arts degree (*cum laude*) from Harvard University (1951).

Federico R. Lopez, born August 5, 1961, Filipino, has been a member of the board since December 1998. He is Chairman and CEO of First Gen, FPH, and EDC. He is Vice Chairman of Rockwell Land Corporation, a director of ABS-CBN Corporation, and Treasurer of Lopez Holdings Corporation. Mr. Lopez is also Chairman of the board of trustees of the Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management Foundation and the Sikat Solar Challenge Foundation. He is also a trustee of the Philippine Tropical Forest Conservation Foundation, the World Wildlife Fund Philippines, and the Philippine Disaster Recovery Foundation. He is a member of the World President's Organization and the Asia Business Council. 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 FPH and EDC. Mr. Puno has a master's degree in Management from the Kellogg Graduate School of Management of Northwestern University (1990) and a degree in Bachelor of Science in Business Management from Ateneo de Manila University (1985).

Richard B. Tantoco, born October 2, 1966, Filipino, has been a director of the Corporation since August 2005. He is a Director and Executive Vice President of the Corporation, Executive Vice President of FPH, and President and Chief Operating Officer of EDC. 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 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. 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 Lopez Holdings Corporation, and is Chairman and CEO of ABS CBN Corporation. 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 and CEO of publicly-listed Jollibee Foods Corporation. He is a director of 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.

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 and other appointments that require board approval. The NGC, which is headed by Chairman Federico R. Lopez with Director Richard B. Tantoco and Independent Director Tony Tan Caktiong as members, passed upon the qualifications of the above persons nominated as directors and found no disqualifications as provided in the By-Laws and the revised Manual on Corporate Governance. With respect to the nominees for independent directors Mr. Tan Caktiong and Mr. Ayala, their nominations and qualifications are in compliance with the company's By-Laws, revised Manual on Corporate Governance, and Rule 38 of the Securities Regulation Code ("SRC"). Mr. Tan was nominated by Mr. Andre Lloyd A. Torres

while Mr. Ayala was nominated by Mr. Fico Mark Atom D. Mesina. Neither Mr. Torres nor Mr. Mesina has any relation to Mr. Tan or Mr. Ayala.

In accordance with SRC Rule 38, 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. Further, 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.

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

Officer	Nationality	Position	Age	Year position was assumed
Federico R. Lopez	Filipino	Chairman and CEO	52	Chairman since 2010; CEO since 2008
Francis Giles B. Puno	Filipino	President and COO	49	June 2010
Ernesto B. Pantangco	Filipino	Executive Vice President	63	2010
Jonathan C. Russell	British	Executive Vice President	49	2010
Richard B. Tantoco	Filipino	Executive Vice President	47	2008
Renato A. Castillo	Filipino	Senior Vice President	59	2011
Ferdinand Edwin S. Co Seteng	Filipino	Senior Vice President	51	2012
Colin Fleming	British	Senior Vice President	52	2012
Victor B. Santos Jr.	Filipino	SVP & Compliance Officer	46	Compliance Officer since 2005; SVP since 2010
Emmanuel P. Singson	Filipino	SVP, CFO, and Treasurer	48	CFO since 2011, SVP and Treasurer since 2010
Nestor H. Vasay	Filipino	Senior Vice President	60	2010
Erwin O. Avante	Filipino	Vice President	39	2009
Jerome H. Cainglet	Filipino	Vice President	45	2011
Teodorico R. Delfin	Filipino	Vice President	45	2013
Valerie Y. Dy Sun	Filipino	VP & Head of Investor Relations	37	Head of Investor Relations since 2011, Vice President since 2012
Anna Karina P. Gerochi	Filipino	Vice President	46	2012
Dennis P. Gonzales	Filipino	Vice President	43	2009
Shirley C. Hombrebueno	Filipino	Vice President	44	2011
Ariel Arman V. Lopus	Filipino	Vice President	44	2009
Jorge H. Lucas	Filipino	Vice President	57	2010
Aloysius L. Santos	Filipino	Vice President	52	2007
Carmina Z. Ubaña	Filipino	VP & Comptroller	37	2011
Daniel H. Valeriano Jr.	Filipino	Vice President	64	2001
Charlie R. Valerio	Filipino	VP & Chief Information Officer	47	2012
Ma. Theresa M. Villanueva	Filipino	Head of Internal Audit	37	2013
Vincent C. Villegas	Filipino	Vice President	41	2009
Michael Christopher Young	New Zealander	Vice President	45	2010
Rachel R. Hernandez	Filipino	Corporate Secretary	47	2009
Anna Marie M. Sencio	Filipino	Asst. Corporate Secretary	44	2012

Ernesto B. Pantangco, born September 24, 1950, Filipino, is Executive Vice President of the Company. He is a director of EDC, where he also serves as Executive Vice President. He has a Bachelor of Science in Mechanical Engineering degree from De La Salle University (1973) and a Master of Business Administration degree from the Asian Institute of Management, dean's list (1976). Mr. Pantangco is a registered mechanical engineer who placed 6th in the 1973 board exams.

Jonathan C. Russell, born September 23, 1964, British, is Executive Vice President of the Company. He also sits as a member of the board of EDC. 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. 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. Mr. Santos has a master's degree in Business Administration from Fordham University (1995) and a Bachelor of Science degree in Management of Financial Institutions from De La Salle University (1989).

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

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

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

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

Teodorico R. Delfin, born September 19, 1968, is a Vice President of the Company and is the Corporate Secretary of 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. She has a Bachelor of Arts in Mathematics degree (1988) and a Master of Engineering in Operations Research and Industrial Engineering degree (1989), both from Cornell University, and an Executive MBA degree from the Asian Institute of Management, with distinction (2006).

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

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

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

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

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

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

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

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

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

Vincent Martin C. Villegas, born October 5, 1972, Filipino, is a Vice President of the Company and EDC. 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).

Michael Christopher Young, born May 1, 1969, New Zealander, is a Vice President of the Company. He has a Bachelor of Electrical Engineering degree (with First Class Honors) from the University of Auckland (1992) and a New Zealand Certificate of Engineering from the Waikato Institute of Technology (1990). Mr. Young is also a qualified electrician and a certified project management professional.

Rachel R. Hernandez, born April 24, 1967, Filipino, is Corporate Secretary of the Company. She obtained her Bachelor of Arts (1986) and Bachelor of Laws (1992) degrees from the University of the Philippines, and is licensed to practice law in the Philippines and in 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 1st cousin of Eugenio L. Lopez III. Ernesto B. Pantangco is the cousin of the wife of Oscar M. Lopez; and the wives of Federico R. Lopez and Francis Giles B. Puno are sisters.

(4) Involvement in Certain Legal Proceedings

To the best of the Corporation's knowledge, as of the date of this report, there has been no occurrence during the past 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:

- a. Any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, or executive officer of the Corporation, was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- b. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign (excluding traffic violations and other minor offenses). 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;
- c. Any order, judgment or decree not subsequently reversed, suspended or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of a director, person nominated to become a director, or executive officer, in any type of business, securities, commodities or banking activities; or
- d. Any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the 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.

Following are the significant transactions with related parties:

- a. Due to related parties represent noninterest-bearing U.S. dollar and Philippine peso-denominated emergency loans to meet working capital and investment requirements of certain entities in the Lopez group of companies.
- b. First Gen group of companies leases its office premises, where its corporate offices are located, from First Philippine Realty Corporation, a subsidiary of FPH.
- c. First Gen is engaged as EDC's consultant to render services pertaining to financial, business development and other matters under a Consultancy Agreement beginning September 1, 2008. Such agreement was for a period of three (3) years up to August 31, 2011. On October 10, 2011, First Gen and EDC agreed to extend the Consultancy Agreement for a period of sixteen (16) months from September 1, 2011 to December 31, 2012 with the same monthly fee.

On January 30, 2013, First Gen and EDC agreed to extend the Consultancy agreement for a another period of two (2) years from January 1, 2013 to December 31, 2014, for a monthly fee of \$0.3 million (₱12.8 million, net of withholding taxes plus VAT).

- d. IFC, a shareholder of EDC, has an approximately 5% ownership interest in EDC. On May 20, 2011, EDC signed a 15-year \$75.0 million loan facility with IFC. The loan was drawn in Peso on September 30, 2011, amounting ₱3,262.5 million. As of December 31, 2013, the outstanding balance of the loan amounted to \$66.7 million (₱2,959.7 million).

On November 27, 2008, EDC entered into a loan agreement with IFC for \$100.0 million or its Peso equivalent of ₱4.1 billion. On January 7, 2009, EDC opted to draw the loan in Peso and received the proceeds amounting to ₱4,048.8 million, net of ₱51.3 million front-end fee. As of December 31, 2013, the outstanding loan amounted to \$72.2 million (₱3,203.2 million).

- e. Following the usual bidding process in 2010, EDC awarded to First Balfour, Inc. ("First Balfour") a procurement contract for various works such as civil, structural and mechanical/ piping works in EDC's geothermal power plants. EDC also engaged the services of Thermaprime Well Services, Inc. ("Thermaprime"), a subsidiary of First Balfour, for drilling services such as, but not limited to, rig operations, rig maintenance, well design and engineering. As of December 31, 2013, the outstanding balance of EDC's payables to First Balfour and Thermaprime totaled \$5.2 million (₱230.5 million). First Balfour is a wholly-owned subsidiary of FPH.

- f. Intercompany Guarantees

EDC Chile Limitada ("EDC Chile"), EDC's subsidiary in Chile, is participating in the bids for geothermal concession areas by the Chilean government. The bid rules call for the provision of proof of EDC Chile's financial capability to participate in said bids or evidence of financial support from EDC. Letters of credit amounting to \$80.0 million were issued by EDC in favor of EDC Chile as evidence of its financial support.

- 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 the First Gen's subsidiaries and affiliates, and receive their salaries from FPH or the relevant investee company of the corporation, as the case may be.

Name and Position	Year	Salary (in PHP)	Bonus/Other Income (in PHP)
Federico R. Lopez Chairman and CEO			
Francis Giles B. Puno President and COO			
Richard B. Tantoco Executive Vice President			
Jonathan Russell Executive Vice President			
Victor B. Santos Jr. SVP and Compliance Officer			
CEO and the 4 most highly compensated officers named above	2012	97,291,470	107,063,300
	2013	133,245,362	203,430,750
	2014 (estimate)	158,378,880	116,565,660
Aggregate compensation paid to all officers and directors as a group unnamed	2012	192,527,348	212,932,587
	2013	273,846,100	320,948,974
	2014 (estimate)	310,927,724	258,494,966

- b) Standard Arrangements

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

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

The company does not have any compensatory plan or arrangement that results or will result from the resignation, retirement, or any other termination of an executive officer's employment with the company or its subsidiaries, or from a change in control of the company, or a change in an executive officer's responsibilities following a change in control, except for such rights as may have already vested under the 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 (from Listing Date to Option Expiration Date)
Federico R. Lopez Chairman and CEO						
Francis Giles B. Puno President and COO						
Richard B. Tantoco Executive Vice President						
Jonathan Russell Executive Vice President						
Victor B. Santos Jr. SVP and Compliance Officer						
Aggregate number of shares granted to the above-named officers	July 1, '03	4,923,072	—	—	₱8.80	₱14.07
Aggregate number of shares granted to all officers and directors as a group unnamed	July 1, '03	18,028,336	893,366	—	₱8.80	₱14.07

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 2013 is Mr. Ladislao Z. Avila; he replaced Mr. Martin C. Guantes who was the handling partner from 2009-2012.

SGV is being recommended for re-appointment as the Corporation’s external auditors for the current year.

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

Reports of the external auditors are reviewed by the Corporation’s Audit Committee which is composed of Independent Director Jaime I. Ayala as chairman, with Director Elpidio L. Ibañez, Independent Director Tony Tan Caktiong, and Director Peter D. Garrucho Jr. as members.

Representatives from SGV are expected to be present and respond to appropriate questions during the Annual General Meeting. They will have the opportunity to make a statement if they so desire.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 11. Financial and Other Information

Attached to this information statement are the following:

- Exhibit “A”- Management Report
- Exhibit “B”- Audited Consolidated Financial Statements for the years ended December 31, 2013 and 2012
- Exhibit “C”- Index to Consolidated Financial Statements and Supplementary Schedules
- Exhibit “D”- Report of the Audit Committee

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The minutes of the Annual General Meeting held on May 8, 2013 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.

During the May 8, 2013 Annual General Meeting, the following matters were approved by the stockholders: the minutes of the Annual General Meeting held on May 16, 2012, the annual report of the President and Chief Operating Officer pertaining to the Corporation's financial and operating results; the Corporation's audited consolidated financial statements for the years ended December 31, 2012 and 2011; all corporate acts and resolutions from the 2012 Annual General Meeting up to the date of the meeting; the election of members of the board of directors for the period 2013-2014; and the appointment of SGV as the Corporation's external auditors for 2013-2014.

Item 18. Other Proposed Actions

During the meeting, actions will be taken to approve the following matters:

- a) Amendment to the Third Article of the Amended Articles of Incorporation to change the principal office from "Metro Manila, Philippines" to "3rd Floor Benpres Building, Exchange Road cor. Meralco Avenue, Pasig City, Philippines" in compliance with Securities and Exchange Commission Memorandum Circular #6 (Series of 2014);
- b) 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
- c) 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 and include the following:
 - i. election of officers of the Corporation for 2013-2014;
 - ii. designation of members of board committees for 2013-2014;
 - iii. 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, and ₱0.38904 per share on the 13,750,000 Series "G" preferred shares issued to FPH by way of private placement, with a record date of July 3, 2013 and payment date of July 25, 2013;
 - iv. declaration of cash dividends on the company's common shares of ₱0.50 per share, with a record date of July 25, 2013 and payment date of August 19, 2013;
 - v. approval of the company's unaudited interim condensed consolidated financial statements as of June 30, 2013;
 - vi. appointments of Teodorico R. Delfin and Rachel R. Hernandez as Vice Presidents of the company, subject to the approval of the board of directors;
 - vii. mandate of Deutsche Bank, HSBC and J.P. Morgan to arrange a series of fixed income investor meetings in Manila, Hong Kong and Singapore, in connection with a possible Regulation S U.S. Dollar bond offering;
 - viii. determination of the price of a US\$250 million 10-year non-call 5 senior unsecured bond issue at a fixed coupon of 6.50% per annum with a maturity date of October 9, 2023;

- ix. closing of the US\$250 million 10-year non-call 5 senior unsecured bond issuance;
- x. confirmation by the board of directors of the appointments of Teodorico R. Delfin and Rachel R. Hernandez as Vice Presidents;
- xi. appointment of Ma. Theresa M. Villanueva as Head of Internal Audit, subject to the approval of the board of directors;
- xii. re-opening of the 6.5% Senior Notes due October 2023 in an amount of up to US\$50 million;
- xiii. issuance of an additional US\$50 million at an issue price of 100.125 under the terms and conditions of its outstanding US\$250 million 6.5% senior unsecured fixed rate notes;
- xiv. approval by the board of directors of the appointment of Ma. Theresa M. Villanueva as Head of Internal Audit; and declaration of 2014 cash dividends on preferred shares as follows: ₱0.02 per share on Series "B" preferred shares; ₱0.01 per share on Series "E" preferred shares; ₱4.00 per share on Series "F" preferred shares; ₱3.8904 on 120 million Series "G" preferred shares; and ₱0.38904 per share on the 13,750,000 Series "G" preferred shares issued to FPH by way of private placement, with a record date of January 2, 2014 and payment date of January 27, 2014;
- xv. execution by First Gen subsidiary First NatGas Power Corp. of an equipment supply contract with Siemens AG and a construction services contract with Siemens Inc. for the engineering, design, procurement, construction and completion of an approximately 414-MW San Gabriel combined cycle natural gas-fired power plant project;
- xvi. approval by the board of directors of the following matters:
 - details of the 2014 Annual General Meeting;
 - nominations of the current directors for re-election to the board of directors for the period 2014-2015 and until the election and qualification of their successors;
 - amendment to the Third Article of the Amended Articles of Incorporation to change the principal office from "Metro Manila, Philippines" to "3rd Floor Benpres Building, Exchange Road cor. Meralco Avenue, Pasig City, Philippines" in compliance with Securities and Exchange Commission Memorandum Circular #6 (Series of 2014), subject to stockholders' ratification on May 12, 2014; and
 - authority of 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; this will be submitted for stockholders' ratification on May 12, 2014.
- xvii. approval by the board of directors of the Audited Consolidated Financial Statements for the years ended December 31, 2013 and 2012; and the appointment of SyCip Gorres Velayo & Co. as the company's external auditors for 2014-2015; both of which will be submitted for stockholders' ratification on May 12, 2014.

Item 19. Voting Procedures

- a) The vote required for each item proposed for approval by the stockholders is as follows:
 - i. 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 directors of the Corporation. For non-independent directors, seven (7) of the nominees who receive the highest number of votes shall be declared elected directors of the Corporation.

- ii. With regard to the amendment to the Third Article of the Articles of Incorporation to change the principal office from "Metro Manila, Philippines" to "3rd Floor Benpres Building, Exchange Road cor. Meralco Avenue, Pasig City, Philippines", a vote of at least 2/3 of the outstanding capital stock is required.
- iii. As regards the 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, the affirmative vote of stockholders representing a majority of the outstanding capital stock of the Corporation is sufficient.
- iv. 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
3rd 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 1, 2014.

FIRST GEN CORPORATION

A handwritten signature in black ink, appearing to read 'Rachel R. Hernandez', written over a horizontal line.

By:

RACHEL R. HERNANDEZ
Corporate Secretary

DRAFT

PROXY FORM

The undersigned stockholder hereby nominates, constitutes and appoints _____ as his/her/its proxy to attend the 2014 Annual General Meeting of **FIRST GEN CORPORATION** which will be held on **May 12, 2014** 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.

IN WITNESS WHEREOF, the undersigned has executed this Proxy this ____ day of _____ 2014 in _____.

For: _____
Stockholder

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
_____) S.S.

BEFORE ME, a Notary Public for and in _____, this ____ day of _____ 2014, personally appeared:

<u>Name</u>	<u>CTC No./Competent Evidence of Identity</u>	<u>Date/ Place Issued</u>
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known to me and to me known to be the person who executed the foregoing Proxy, and acknowledged to me that the same is his own free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto affixed my hand and seal this ____ day of _____ 2014 in _____.

NOTARY PUBLIC

Doc. No.: ____
Page No.: ____
Book No.: ____
Series of 2014.



NOTICE OF 2014 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 **Monday, May 12, 2014** at **10:00 a.m.** Following is the agenda of the meeting:

1. Call to Order
2. Determination of Quorum
3. Approval of the Minutes of the May 8, 2013 Annual General Meeting
4. Address of the Chairman and Chief Executive Officer
5. Annual Report of the President and Chief Operating Officer
6. Election of Directors (including Independent Directors) for 2014-2015
7. Approval of the Audited Consolidated Financial Statements for the years ended December 31, 2013 and 2012
8. Appointment of External Auditors for 2014-2015
9. Amendment of the Third Article of the Amended Articles of Incorporation to Indicate the Specific Principal Office Address of the Company
10. Authority of the Company to Act as Guarantor / Co-obligor for any of its Subsidiaries
11. Ratification of the Acts and Resolutions of the Board of Directors and Management
12. Other Matters
13. Adjournment

Only stockholders of record at the close of business on **March 13, 2014** are entitled to notice of, and vote at, the meeting.

Pasig City, April 1, 2014.

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 solely 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 shall be submitted to the Corporate Secretary not less than six (6) business days prior to the date of the meeting.

EXHIBIT “A”

MANAGEMENT REPORT

MANAGEMENT REPORT

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

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

As a result of management's reassessment of control over Prime Terracota based on the new definition of control and the explicit guidance in PFRS 10, First Gen has retrospectively consolidated the financials of Prime Terracota, Red Vulcan, EDC and its subsidiaries (collectively referred to as the Prime Terracota Group) in its 2013 annual consolidated financial statements. The Prime Terracota Group was previously accounted for as an investment in an associate in its 2012 and 2011 audited consolidated financial statements. As a result of the adoption of PFRS 10, the consolidated financial statements of First Gen and its subsidiaries as of and for the years ended December 31, 2012 and 2011 have been restated.

First Gen Corporation (First Gen or the Parent Company) 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), via First Gen Renewables, Inc. (FGRI), which operates the 1.6 MW FG Bukidnon mini-hydroelectric power plant;
- (iv) Energy Development Corporation (EDC), with an aggregate installed capacity of approximately 1,129.4 MW of geothermal power; and,
- (v) First Gen Hydro Power Corporation (FG Hydro) which operates the 132 MW Pantabangan-Masiway hydroelectric power plants

First Gen's indirect 40.0% economic interest in EDC is held through Prime Terracota and Red Vulcan, while it directly owns a 40.0% economic interest in FG Hydro. As of December 31, 2013, the Parent Company also directly and indirectly owns 1.86 billion common shares in EDC, of which 870.4 million common shares are held through its wholly-owned subsidiary, Northern Terracotta Power Corporation (Northern Terracotta). The 1.86 billion common shares are equivalent to a 9.93% direct 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, 2013, 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

(BGAPH), a member of the BG Group, the entire outstanding capital stock of Bluespark Management Limited (Bluespark) [formerly Lisbon Star Management Limited]. Bluespark's wholly owned subsidiaries namely, Goldsilk Holdings Corp. (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.

- 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. First Gen owns 100.0% of FGRI.

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 stake/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. EDC is the Philippines' largest producer of geothermal energy, operating 11 geothermal power plants in the five geothermal service contract areas where it is principally involved in: (i) the production of geothermal steam for sale to subsidiaries; and, (ii) the generation and sale of electricity through EDC-owned geothermal power plants to NPC and various off-takers.

On May 12, 2009, Prime Terracota issued Class "B" voting preferred shares at par value to the Lopez Inc. Retirement Fund (LIRF) and Quialex Realty Corporation (QRC). Prime Terracota is the effective 60.0% voting / 40.0% economic owner of EDC through its subsidiary Red Vulcan. Prior to its issuance of preferred shares to LIRF and QRC, Prime Terracota was a wholly-owned subsidiary of First Gen. With the issuance of the preferred shares, First Gen's voting interest in Prime Terracota was reduced to 45.0%, with the balance taken up by LIRF (40.0%) and QRC (15.0%). This transaction triggered the deconsolidation of the Prime Terracota Group in First Gen's consolidated financial statements effective from May 2009 until December 2012. During this period, First Gen's investment in Prime Terracota was accounted for using the equity method in the consolidated financial statements of First Gen as it still retained influence over Prime Terracota through its 45.0% voting interest. However, as stated above, the adoption of PFRS 10 effective January 1, 2013, management was required to reassess the control over Prime Terracota based on the new definition of control and the explicit guidance in PFRS 10. The reassessment has caused the retrospective consolidation of Prime Terracota Group to First Gen effective January 1, 2013.

- 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.

A. FINANCIAL RESULTS FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

Audited Consolidated Statements of Income (Amounts in USD thousands)	For the years ended December 31		
	2013	2012	2011 (As restated)
Revenues	\$1,904,919	\$2,060,229	\$1,907,178
Income from before income tax	\$229,314	\$370,539	\$120,046
Net income attributable to Equity Holders of the Parent Company	\$118,077	\$189,834	\$35,131

Audited Consolidated Statements of Financial Position (Amounts in USD thousands)	As of the years ended December 31		
	2013	2012	2011 (As restated)
ASSETS			
Total Current Assets	\$1,376,178	\$1,098,024	\$1,024,110
Property, plant and equipment – net	2,059,215	1,963,127	1,813,952
Goodwill and Intangible assets	1,226,835	1,350,630	1,277,102
Deferred income tax assets – net	34,791	36,226	35,597
Other noncurrent assets	217,075	265,514	287,287
Total Assets	\$4,914,094	\$4,713,521	\$4,438,048
LIABILITIES AND EQUITY			
Total Current Liabilities	\$558,651	\$585,253	\$478,067
Long-term debts – net of current portion	2,492,144	2,163,986	2,029,658
Derivative liabilities – net of current portion	34,579	61,156	58,352
Retirement and other post-employment benefits	40,469	35,565	41,013
Deferred income tax liabilities – net	22,946	16,384	15,494
Other noncurrent liabilities	35,438	29,283	18,419
Convertible bonds	-	-	84,662
Total Liabilities	3,184,227	2,891,627	2,725,665
Equity Attributable to Equity Holders of the Parent Company	1,350,015	1,409,653	1,194,241
Non-controlling Interests	379,852	412,241	518,142
Total Equity	1,729,867	1,821,894	1,712,383
Total Liabilities and Equity	\$4,914,094	\$4,713,521	\$4,438,048

RESULTS OF OPERATIONS

For the years ended December 31, 2013 vs. December 31, 2012 results

CONSOLIDATED STATEMENTS OF INCOME

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 Unit 60 of the San Lorenzo plant 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 of

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 Unit 60 of San Lorenzo.

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 National Grid Corporation of the Philippines (NGCP), lower sales from the spot market as a result of the lower average Wholesale Electricity Spot Market (WESM) prices and low Irrigation Diversion Requirement (IDR) during the year.

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

Net Income

First Gen's consolidated net income decreased by \$146.4 million, or 46.6%, to \$167.6 million in 2013 from \$314.0 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 its 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 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 temporary shutdown of Unit 60 following 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 to \$5.7 million mainly due to the constant repayment of debt at 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 and lower sales to the spot market resulting from the lower average WESM prices and low IDR during the year; and,
- 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;
- 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 repayment of debt at 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.

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 \$200.6 million, or 4.3%, to \$4,914.1 million as of December 31, 2013 from \$4,713.5 million as of December 31, 2012. The increase was a result of the following movements in major accounts:

- 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 at the start of the year. The increase was primarily due to the 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, 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.
- Property, plant, and equipment (PPE) 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, the rehabilitation and maintenance in Bacman, as well as the rehabilitation and maintenance in 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 and the impairment losses recognized on assets damaged by typhoon Yolanda.
- 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 by FG Hydro and the EDC parent.

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

- Goodwill and intangible assets 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 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 Notice to Proceed (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 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.

LIABILITIES AND EQUITY

Total liabilities increased by \$292.6 million, or 10.1%, to \$3,184.2 million as of December 31, 2013 from \$2,891.6 million as of December 31, 2012 due to the following major movements:

- Total debt increased by \$330.5 million, or 14.4%, higher than the December 2012 balance of \$2,286.1 million primarily due to the proceeds from the \$300.0 million bond issued 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.
- Loans payable increased by \$53.8 million, or 100.0%, due to the short-term loans tapped by FGP and FGPC for the liquid fuel importation which was consumed during the scheduled 30-day Malampaya outage in November and December.
- 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.

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

- The current portion of the Convertible Bonds decreased by \$72.6 million, or 100.0% due to the full redemption of the bonds on February 11, 2013.
- The derivative liabilities decreased by \$28.6 million, or 45.3%, to \$34.6 million as of December 31, 2013 from \$63.2 million as of December 31, 2012 mainly due to lower derivative liabilities booked by FGPC arising from the mark-to-market (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 LIBOR as of December 31, 2013 as compared to December 31, 2012.

Total equity decreased by \$92.0 million, or 5.1%, to \$1,729.9 million as of December 31, 2013 compared to \$1,821.9 million as of December 31, 2012. The decrease was primarily due to the reduction in the dollar translation of First Gen's subsidiaries that use Philippine Pesos as their functional currency as a result of the depreciation of the Philippine Peso. Equity was further reduced by the dividends declared to common and preferred stockholders and non-controlling interests, and the purchase of shares by the Parent Company's subsidiaries of First Gen common stocks; however, this was partially offset by the net income earned during the year.

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

	2013	2012 (As restated)	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			2013 vs. 2012	2013 vs. 2012	2013	2012 (As restated)
Revenues from sale of electricity	\$1,904,919	\$2,060,229	(\$155,310)	-7.5%	100.0%	100.0%
TOTAL REVENUES	1,904,919	2,060,229	(155,310)	-7.5%	100.0%	100.0%
OPERATING EXPENSES						
Costs of sale of electricity	(1,301,315)	(1,374,641)	73,326	-5.3%	-68.3%	-66.7%
General and administrative expenses	(169,216)	(175,583)	6,367	-3.6%	-8.9%	-8.5%
Sub-total	(1,470,531)	(1,550,224)	79,693	-5.1%	-77.2%	-75.2%
FINANCIAL INCOME (EXPENSE)						
Interest income	9,133	13,850	(4,717)	-34.1%	0.5%	0.7%
Interest expense and financing charges	(149,365)	(173,736)	24,371	-14.0%	-7.8%	-8.4%
Sub-total	(140,232)	(159,886)	19,654	-12.3%	-7.4%	-7.8%
OTHER INCOME (CHARGES)						
Foreign exchange gains (losses) – net	(34,894)	23,745	(58,639)	-247.0%	-1.8%	1.2%
Loss on 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%
Recovery of (loss on) impairment of PPE	-	1,499	(1,499)	-100.0%	0.0%	0.1%
Others – net	(1,854)	(5,083)	3,229	-63.5%	-0.1%	-0.2%
Sub-total	(64,842)	20,420	(85,262)	-417.5%	-3.4%	1.0%
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	229,314	370,539	(141,225)	-38.1%	12.0%	18.0%
Provision for (benefit from) Income Tax						
Current	63,313	60,973	2,340	3.8%	3.3%	3.0%
Deferred	(1,594)	(2,146)	552	-25.7%	-0.1%	-0.1%
	61,719	58,827	2,892	4.9%	3.2%	2.9%
NET INCOME FROM CONTINUING OPERATIONS	167,595	311,712	(144,117)	-46.2%	8.8%	15.1%
NET INCOME FROM DISCONTINUED OPERATIONS	-	2,297	(2,297)	-100.0%	0.0%	0.1%
NET INCOME	\$167,595	\$314,009	(\$146,414)	-46.6%	8.8%	15.2%
Net income attributable to:						
Equity holders of the Parent Company	\$118,077	\$189,834	(\$71,757)	-37.8%	6.2%	9.2%
Non-controlling Interests	\$49,518	\$124,175	(\$74,657)	-60.1%	2.6%	6.0%

Revenues

Revenues for the year ended December 31, 2013 decreased by \$155.3 million, or 7.5%, to \$1,904.9 million in 2013 as compared to \$2,060.2 million for the same period in 2012. The decrease was mainly due to lower fuel revenues during the year which decreased by \$74.6 million, or 7.1%, to \$969.3 million in 2013 from \$1,043.9 million during the same period in 2012. The decrease in fuel revenues was a result of the temporary shutdown of San Lorenzo's Unit 60 following the 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 of 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 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 the lower revenues from Unified Leyte and Tongonan plants due to the damages to plant facilities 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 reduced further 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 \$13.8 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 pertains 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 derecognition 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 \$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 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 \$314.0 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 to \$5.7 million mainly due to the constant repayment of debt at 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; and
- 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;
- 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 repayment of debt at 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, 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 \$154.6 million in 2013. This was \$19.3 million, or 11.1%, lower than the recurring net income of \$173.9 million during the same period in 2012. The decreases were 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 at the Parent Company and Red Vulcan.

Amount in USD thousands	2013	2012 (As restated)
Net income attributable to the Parent Company	\$118,077	\$189,834
Adjustment of non-recurring items attributable to the Parent Company:		
Loss on damaged assets due to typhoon Yolanda	7,377	—
Loss on impairment of exploration and evaluation assets	6,785	—
Input VAT claims of EDC written-off	2,597	—
Gain on FGP insurance claim	(1,000)	—
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	(3,661)	3,352
Unrealized foreign exchange losses of FGPC, FGP and Parent	4,880	1,334
Unrealized foreign exchange losses (gains) of EDC, FG Hydro and Red Vulcan	15,207	(12,417)
MTM gain on derivatives of FGPC, FGP, and Parent Company	—	(258)
MTM gain on derivatives of EDC	(168)	—
Recurring Net Income attributable to the Parent Company	\$154,561	\$173,903

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

Cash and cash equivalents

Cash consists mainly of cash on hand and in banks while cash equivalents include cash investments with original maturities of less than three months. Cash and cash equivalents increased by \$237.2 million, or 37.5%, to \$870.2 million as of December 31, 2013 compared to \$633.0 million at the start of the year. The increase was primarily due to the 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 the lower inventory of EDC due to withdrawals on various materials and supplies for the maintenance of plants and the 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, the \$9.1 million increase in the prepaid expense of EDC, and the \$4.5 million increase in the AFS financial assets of EDC due to the reclassification from the non-current 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 during the year.

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, the rehabilitation and maintenance in Bacman, as well as the rehabilitation and maintenance in 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 the losses recognized on assets damaged 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 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 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

This current portion of long-term debts pertains to the portion of debt that will be due within the next 12 months. The increase in this account of \$2.4 million, or 1.9%, is mainly due to the current maturing obligations of FGPC and Red Vulcan that were reclassified from the non-current 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 the February 11, 2013 maturity date.

Long-term debt – net of current portion

As of December 31, 2013, long-term debts 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 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, or 46.8%, 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 (CTA)

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 is mainly due to the acquisition of the Parent Company's common stocks by the subsidiaries of First Gen.

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, partially offset by its share in the latter's earnings during the year.

FIRST GEN MATERIAL CHANGES IN FINANCIAL CONDITION (December 31, 2012 vs. 2011)

CONSOLIDATED STATEMENTS OF INCOME

Horizontal and Vertical Analyses of Material Changes for the years ended December 31, 2012 vs. 2011

			HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2012 (As restated)	2011 (As restated)	2012 vs. 2011	2012 vs. 2011	2012 (As restated)	2011 (As restated)
Revenues from sale of electricity	\$2,060,229	\$1,907,178	\$153,051	8.0%	100.0%	100.0%
TOTAL REVENUES	2,060,229	1,907,178	153,051	8.0%	100.0%	100.0%
OPERATING EXPENSES						
Costs of sale of electricity	(1,374,641)	(1,336,215)	(38,426)	2.9%	-66.7%	-70.1%
General and administrative expenses	(175,583)	(157,945)	(17,638)	11.2%	-8.5%	-8.3%
Sub-total	(1,550,224)	(1,494,160)	(56,064)	3.8%	-75.2%	-78.3%
FINANCIAL INCOME (EXPENSE)						
Interest income	13,850	17,388	(3,538)	-20.3%	0.7%	0.9%
Interest expense and financing charges	(173,736)	(193,007)	19,271	-10.0%	-8.4%	-10.1%
Sub-total	(159,886)	(175,619)	15,733	-9.0%	-7.8%	-9.2%
OTHER INCOME (CHARGES)						
Foreign exchange gains (losses) – net	23,745	(9,784)	33,529	342.7%	1.2%	-0.5%
Recovery of (loss on) impairment of PPE	1,499	(115,352)	116,851	101.3%	0.1%	-6.0%
Mark-to-market gain on derivatives – net	259	6,234	(5,975)	-95.8%	0.0%	0.3%
Others – net	(5,083)	1,549	(6,632)	-428.1%	-0.2%	0.1%
Sub-total	20,420	(117,353)	137,773	117.4%	1.0%	-6.2%
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	370,539	120,046	250,493	208.7%	18.0%	6.3%
Provision for (benefit from) Income Tax						
Current	60,973	58,791	2,182	3.7%	3.0%	3.1%
Deferred	(2,146)	(14,278)	12,132	-85.0%	-0.1%	-0.7%
	58,827	44,513	14,314	32.2%	2.9%	2.3%
NET INCOME FROM CONTINUING OPERATIONS	311,712	75,533	236,179	312.7%	15.1%	4.0%
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	2,297	(1,875)	4,172	222.5%	0.1%	-0.1%
NET INCOME	\$314,009	\$73,658	\$240,351	326.3%	15.2%	3.9%
Net income attributable to:						
Equity holders of the Parent Company	\$189,834	\$35,131	\$154,703	440.4%	9.2%	1.8%
Non-controlling Interests	\$124,175	\$38,527	\$85,648	222.3%	6.0%	2.0%

Revenues

Revenues for the year ended December 31, 2012 increased by \$153.0 million, or 8.0%, to \$2,060.2 million in 2012 as compared to \$1,907.2 million for the same period in 2011. The increase was mainly due to the higher revenue contributions of EDC and FG Hydro. EDC's sale of electricity rose by \$45.6 million, or 8.9%, due to the increased contribution of GCGI in 2012 following the re-pricing of its offtake contracts that became effective mid-2011. On the other hand, FG Hydro's revenues also rose by \$56.4 million, or 101.3%, mainly as a result of higher electricity sales coming from ancillary services it began providing in August 2011 and a greater amount of electricity generated.

Fuel revenues extended the increase by \$82.0 million, or 8.5%, in 2012 as a result of the increase in fuel prices to an average of \$13.4/MMBtu in 2012 from an average of \$12.2/MMBtu in 2011. This was partially offset by the absence of supplemental payments in 2012 and lower variable O&M resulting from the lower dispatch (a combined average net capacity factor of 80.8% in 2012 compared to a combined 89.2% during 2011). The lower plant dispatch in 2012 was caused by the scheduled minor outages and gas curtailments that were experienced by the Santa Rita and San Lorenzo power plants during the period. In addition, the scheduled major maintenance outage covering the 100,000 EOH of the Santa Rita power plant commenced on September 29, 2012 and was completed by May 2013.

The revenues from the supplemental payments amounting to \$31.1 million in 2011 was due to the full utilization of the remaining prepaid gas by the gas plants in November 2011, which led to the realization of unearned revenues in 2011.

Costs of sale of electricity

The costs of sale of electricity for the year ended December 31, 2012 increased by \$38.4 million, or 2.9%, to \$1,374.6 million in 2012 as compared to \$1,336.2 million for the same period in 2011. The increase was due to the movements in major expense items as explained in detail below:

Fuel cost

Fuel costs of Santa Rita and San Lorenzo increased by \$55.9 million, or 5.7%, to \$1,043.9 million in 2012 as compared to \$988.0 million in 2011. This was primarily due to a higher average fuel price in 2012 (\$13.4/MMBtu) as compared to the same period in 2011 (\$12.2/MMBtu), partially offset by the lower generation for the year.

Power plant operations and maintenance

Expenses relating to power plant O&M decreased by \$17.7 million, or 10.4%, to \$151.8 million in 2012 as compared to \$169.5 million in 2011. This was primarily due to the decrease in repairs and maintenance of EDC by \$11.5 million, or 8.7%, resulting from lower purchased services and utilities. This was further reduced by lower variable O&M resulting from lower plant dispatch of Santa Rita and San Lorenzo plants due to scheduled major and minor outages during the year. In addition, variable O&M costs for both Santa Rita and San Lorenzo were further reduced in 2012 due to the cap on Chargeable Net Electrical Output (CNEO) that was reached in July 2012 (for Santa Rita) and in September 2012 (for San Lorenzo). Reaching the cap resulted in the non-charging of variable O&M costs by Siemens Power Operations, Inc. (SPOI) from the date the cap was reached and extended until the end of their respective relevant contract year.

General and Administrative Expenses

G&A expenses increased by \$17.6 million, or 11.2%, on account of higher taxes and licenses, and professional fees incurred resulting from the Parent Company's acquisition of BG's non-controlling interest in the First Gas Group in May 2012, and from EDC's implementation of the ERP/MRP in 2012.

Interest income

Interest income decreased by \$3.5 million, or 20.3%, to \$13.9 million in 2012 as compared to \$17.4 million during the same period in 2011. 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 2012. These decreases were partially offset by higher interest income on placements by FG Hydro.

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 \$19.3 million, or 10.0%, to \$173.7 million in 2012 from \$193.0 million in 2011. The lower expense was mainly a result of the lower interest expense of EDC on account of the capitalization of the borrowing cost for the rehabilitation of Bacman, the scheduled amortization of EDC's long-term debts, the lower accretion expense on the asset retirement obligation, the absence in 2012 of the guarantee fee on the OECF 21th Yen loan which was settled in 2011, and the lower amortization of the gain on royalty fee payable to DOE. This was further decreased by the full prepayment of the Unified loan, the buyback of Convertible Bonds, and the scheduled principal payments of FGPC's and FGP's loan. These were partially offset by the increased interest expense of FGP following the \$420.0 million refinancing of its loans in October 2012, and by the interest expense on the short-term loans tapped by Blue Vulcan for the BG acquisition.

Foreign exchange gains (losses) – net

In 2012, First Gen recognized unrealized foreign exchange gains of \$23.7 million, a reversal from the \$9.8 million foreign exchange losses booked in 2011. The variance was brought about by the effect of 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) on the translation of EDC's long-term foreign loans. This was further increased by the

absence of the foreign exchange losses resulting from the unfavorable effect of the Philippine Peso appreciation against the U.S. dollar on the proceeds of the ₱10.0 billion Series F preferred shares issued in July 2011. The full prepayment of the Unified loan in July 2011 also reduced First Gen Group's foreign exchange losses in 2012. These reductions in losses were partially offset by the effects of the appreciation of the Philippine Peso on the Peso-denominated payables of FGPC.

Mark-to-market gain on derivatives – net

The 6.0 million or 95.8% net decrease in MTM gain on derivatives was primarily due to the absence of the \$3.7 million gain that was recognized by the Parent Company in 2011 primarily relating to its call option to purchase EDC shares and the absence of the \$2.5 million derivative gains that were recognized by EDC on its foreign currency forward contracts that it entered into with various banks in 2011.

Others

Other expenses decreased by \$110.2 million, or 96.9%, to \$3.6 million in 2012 from \$113.8 million in 2011 primarily due to the absence in 2012 of the full impairment provision of the Northern Negros Geothermal Project (NNGP) assets amounting to \$115.4 million partially offset by the absence of gains on the reversal of the long-outstanding payables of EDC from the prior year.

Provision for (benefit from) Income Tax

The higher provision for income tax by \$14.3 million, or 32.2%, to \$58.8 million in 2012 was due to the higher tax provisions for EDC, partially offset by the lower income tax provisions on FGPC and FGP.

The increase in the income tax provisions for EDC was due mainly from the absence in 2012 of the deferred tax asset on the provision for full impairment of NNGP's property, plant and equipment recognized in June 2011, and the higher taxable income of EDC. This was partially offset by lower tax provisions on FGPC and FGP due to the greater benefit from deferred income tax as a result of 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).

Net income from discontinued operations

The \$2.3 million pertains to EDC's income from its drilling services in Lihir, Papua New Guinea which were discontinued in October 2012. This was \$4.2 million, or 222.5%, higher than the \$1.9 million loss in 2012 due to higher revenues from the demobilization of Rig 11 in 2012, lower foreign contractor's tax, and the decrease in the amount of parts and supplies issued.

Net Income

First Gen's consolidated net income increased by \$240.4 million, or 326.3%, to \$314.0 million in 2012 from \$73.6 million during the same period in 2011. The increase in net income was a result of the net movements of the following items:

- higher net income contribution from EDC's geothermal assets by \$193.2 million, or 723.1%, due to the increased contribution of GCGI following the re-pricing of its offtake contracts that became effective mid-2011 and the foreign exchange gains of EDC due to the appreciation of the Peso in 2012 (from ₱43.84:\$1.00 as of end-2011 to ₱41.05:\$1.00 as of December 31, 2012);
- higher net income contribution of FG Hydro by \$49.4 million, or 160.4%, mainly due to higher electricity sales from ancillary services it began providing in August 2011, and a greater amount of electricity generated; and,
- lower interest expense of Unified by \$8.3 million, or 100.0%, due to the full prepayment of the Unified Loan in 2011.

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

- higher expenses of the Parent Company by \$6.1, or 17.2%, million on account of higher taxes and licenses, and professional fees incurred resulting from the Parent Company's acquisition of BG's non-controlling interest in the First Gas Group in May 2012; and,
- higher interest expense by Blue Vulcan by \$3.2 million, or 100.0%, due to the short-term loans tapped for the BG acquisition.

Net Income Attributable to Equity Holders of the Parent Company

For the year ended December 31, 2012, net income attributable to the Parent Company increased to \$189.8 million, which was \$154.7 million, or 440.4%, higher than the \$35.1 million that was recognized during the same period in 2011. The increase in attributable net income was mainly due to the movements in the contributions of the following subsidiaries:

- higher net income contribution from EDC's geothermal assets by \$89.8 million due to the increased contribution of GCGI following the re-pricing of its offtake contracts that became effective mid-2011 and the foreign exchange gains of EDC on the booking of its foreign loans due to the appreciation of the Peso in 2012 (from ₱43.84:\$1.00 as of end-2011 to ₱41.05:\$1.00 as of December 31, 2012);
- higher net income contribution of FG Hydro by \$34.4 million, or 134.9%, mainly due to higher electricity sales from ancillary services it began providing in August 2011, and a greater amount of electricity generated;
- higher net income contribution from FGPC and FGP of \$32.4 million due to the seven months of full earnings contribution following the purchase of the BG stake, a greater benefit from deferred income tax and, lower variable O&M expenses; and,
- lower interest expense of Unified by \$8.3 million, or 100.0%, due to the full prepayment of the Unified Loan in 2011.

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

- higher expenses by the Parent Company by \$6.1, or 17.2%, million on account of higher taxes and licenses, and professional fees incurred resulting from the Parent Company's acquisition of BG's non-controlling interest in the First Gas Group in May 2012; and,
- higher interest expense of Blue Vulcan by \$3.2 million, or 100.0%, due to the short-term loans tapped for the BG acquisition.

Adjusting for non-recurring items such as movements in deferred income taxes, unrealized foreign exchange differences and MTM gain (loss) from derivative transactions, First Gen's recurring net income attributable to the Parent Company was \$173.9 million in 2012. This was \$90.6 million, or 108.8%, higher than the recurring net income of \$83.3 million during the same period in 2011.

The increases were due to the higher net income contribution from EDC's geothermal assets due to the increased contribution of GCGI following the re-pricing of its offtake contracts, higher net income contribution of FG Hydro due to higher electricity sales from ancillary services and higher generation, greater net income contribution from FGPC and FGP due to the seven months of full earnings contribution following the purchase of the BG stake in May 2012, and lower interest expense of Unified. These were partially offset by higher expenses incurred by the Parent Company and Blue Vulcan for the BG acquisition.

Amount in USD thousands	2012 (As restated)	2011 (As restated)
Net income attributable to the Parent Company	\$189,834	\$35,131
Adjustment of non-recurring items attributable to the Parent Company:		
Impairment loss on EDC's NNGP assets	-	52,811
Loss on disposal of PPE by FG Hydro	-	451
Return on investment of FPPC	(261)	(1,500)
Movement in deferred income tax of FGPC, FGP and Blue Vulcan	(7,681)	643
Movement in deferred income tax of EDC and FG Hydro	3,352	(6,412)
Unrealized foreign exchange losses of FGPC, FGP and Parent	1,334	5,198
Unrealized foreign exchange losses (gains) of EDC, FG Hydro and Red Vulcan	(12,417)	1,845
MTM gain on derivatives of FGPC, FGP, and Parent Company	(258)	(3,734)
MTM gain on derivatives of EDC	-	(1,144)
Recurring Net Income attributable to the Parent Company	\$173,903	\$83,289

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Horizontal and Vertical Analyses of Material Changes as of December 31, 2012 and December 31, 2011

(Amounts in US\$ and in Thousands)	As of the years ended December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2012 (As restated)	2011 (As restated)	2012 vs. 2011	2012 vs. 2011	2012 (As restated)	2011 (As restated)
ASSETS						
Current Assets						
Cash and cash equivalents	\$633,011	\$554,586	\$78,425	14.1%	13.4%	12.5%
Receivables	294,388	261,562	32,826	12.5%	6.2%	5.9%
Inventories	126,339	143,515	(17,176)	-12.0%	2.7%	3.2%
Other current assets	44,286	64,447	(20,161)	-31.3%	0.9%	1.5%
Total Current Assets	1,098,024	1,024,110	73,914	7.2%	23.3%	23.1%
Noncurrent Assets						
Property, plant and equipment – net	1,963,127	1,813,952	149,175	8.2%	41.6%	40.9%
Goodwill and Intangible assets	1,350,630	1,277,102	73,528	5.8%	28.7%	28.8%
Deferred income tax assets – net	36,226	35,597	629	1.8%	0.8%	0.8%
Other noncurrent assets	265,514	287,287	(21,773)	-7.6%	5.6%	6.5%
Total Noncurrent Assets	3,615,497	3,413,938	201,559	5.9%	76.7%	76.9%
TOTAL ASSETS	\$4,713,521	\$4,438,048	\$275,473	6.2%	100.0%	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	\$359,044	\$330,973	\$28,071	8.5%	7.6%	7.5%
Dividends payable	21,849	9,687	12,162	125.5%	0.5%	0.2%
Income tax payable	7,435	6,485	950	14.6%	0.2%	0.1%
Due to related parties	144	6,932	(6,788)	-97.9%	0.0%	0.2%
Current portion of:						
Long-term debts	122,122	121,444	678	0.6%	2.6%	2.7%
Convertible bonds	72,578	-	72,578	100.0%	1.5%	0.0%
Derivative liabilities	2,081	2,546	(465)	-18.3%	0.0%	0.1%
Total Current Liabilities	585,253	478,067	107,186	22.4%	12.4%	10.8%
Noncurrent Liabilities						
Long-term debts - net of current portion	2,163,986	2,029,658	134,328	6.6%	45.9%	45.7%
Derivative liabilities - net of current portion	61,156	58,352	2,804	4.8%	1.3%	1.3%
Retirement and other post-employment benefits	35,565	41,013	(5,448)	-13.3%	0.8%	0.9%
Deferred income tax liabilities – net	16,384	15,494	890	5.7%	0.3%	0.3%
Other noncurrent liabilities	29,283	18,419	10,864	59.0%	0.6%	0.4%
Convertible bonds	-	84,662	(84,662)	-100.0%	0.0%	1.9%
Total Noncurrent Liabilities	2,306,374	2,247,598	58,776	2.6%	48.9%	50.6%
Total Liabilities	2,891,627	2,725,665	165,962	6.1%	61.3%	61.4%
Equity Attributable to Equity Holders of the Parent Company						
Redeemable preferred stock	69,345	38,159	31,186	81.7%	1.5%	0.9%
Common stock	74,715	74,701	14	0.0%	1.6%	1.7%
Additional paid-in capital	1,052,180	801,148	251,032	31.3%	22.3%	18.1%
Accumulated unrealized gain on Available-for-sale (AFS) financial assets	647	871	(224)	-25.7%	0.0%	0.0%
Cumulative translation adjustments	62,920	(19,281)	82,201	-426.3%	1.3%	-0.4%
Equity reserve	(357,209)	(66,759)	(290,450)	435.1%	-7.6%	-1.5%
Retained earnings	566,290	418,389	147,901	35.4%	12.0%	9.4%
Cost of common stock held in treasury	(59,235)	(52,987)	(6,248)	11.8%	-1.3%	-1.2%
Sub-total	1,409,653	1,194,241	215,412	18.0%	29.9%	26.9%
Non-controlling Interests	412,241	518,142	(105,901)	-20.4%	8.7%	11.7%
Total Equity	1,821,894	1,712,383	109,511	6.4%	38.7%	38.6%
TOTAL LIABILITIES AND EQUITY	\$4,713,521	\$4,438,048	\$275,473	6.2%	100.0%	100.0%

Cash and cash equivalents

Cash consists mainly of cash on hand and in banks while cash equivalents include cash investments with original maturities of less than three months. Cash and cash equivalents increased by \$78.4 million, or 14.1%, to \$633.0 million as of December 31, 2012 compared to \$554.6 million at the start of the year. The increase in cash was mainly due to the proceeds from the loan refinancing of FGP totaling \$420.0 million, the issuance of the Series G perpetual preferred shares, and the drawdown of the remaining \$49.0 million Notes Facility. These increases were partially offset by the acquisition of the non-controlling interest of BG in the First Gas Group, the prepayment of the loans by the Parent Company and Blue Vulcan amounting to \$250.7 million, the scheduled principal and interest payments of EDC and FGPC loans, the prepayment of the FGP loans, the buyback of the Convertible Bonds, the additional investments in EDC shares, the payments of cash dividends by EDC, and the purchase of additional PPE by EDC.

Receivables

Receivables increased by \$32.8 million, or 12.5%, to \$294.4 million as of December 31, 2012 from \$261.6 million as of December 31, 2011. The increase was due mainly to the higher trade receivables of EDC which resulted from higher revenues from GCGI and FG Hydro, as well as the higher amount of outstanding VAT receivables of FGPC and FGP from Meralco. The increase in the VAT receivables was due to the new procedures in the remittance of VAT on power generation and other related charges by the distribution utilities to generation companies as set forth in RMC Nos. 62-2012 and 71-2012 that was issued by the BIR in October and November 2012, respectively.

Under the new procedure, distribution companies and electric cooperatives are allowed to remit VAT on the sale of electricity and ancillary services only after it has been collected from the end-users/customers. This is in contrast to the old procedure, wherein it allowed distribution companies to remit in advance the corresponding VAT on the sale of electricity along with the generation charges.

Inventories

The ending inventory as of December 31, 2012 stood at \$126.3 million. This was lower by \$17.2 million, or 12.0%, 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 8-day maintenance outage of the Malampaya platform in 2012.

Other current assets

Other current assets decreased by \$20.1 million, or 31.3%, to \$44.3 million as of December 31, 2012 from \$64.4 million as of December 2011. Of this decrease, \$22.8 million was mainly due to the reclassification of the TCCs and ROP bonds maturing beyond 2013 to Other noncurrent assets account. This was further reduced by the elimination of the current portion of the intercompany receivables from BG following the acquisition of its non-controlling interest in the First Gas Group by Blue Vulcan, and by the sale of FGP's TCCs to third parties.

Property, plant, and equipment

The account increased by \$149.2 million, or 8.2%, to \$1,963.1 million as of December 2012 from \$1,813.9 million as of December 2011. The increase was mainly due to the appreciation of the Philippine Peso (from ₱43.84:\$1.00 as of December 2011 to ₱41.05:\$1.00 as of December 2012) which resulted into a higher dollar translation of EDC's PPE, as well as the additions to PPE resulting mainly from the maintenance expenditures in Unified Leyte. This was further increased by the purchase of land for future gas projects and the reclassification of the prepaid major spare parts from "Other noncurrent assets" to this account following the scheduled major maintenance outage covering the 100,000 EOH of the Santa Rita power plant which started in September 2012. This was partially offset by depreciation during the year.

Goodwill and intangible assets

The account increased by \$73.5 million, or 5.8%, from \$1,277.1 million at the beginning of the year to \$1,350.6 million as of December 31, 2012 primarily due to the higher dollar equivalent of the booked goodwill in EDC as a result of the movement in foreign exchange rates from ₱43.84:\$1.00 as of December 2011 to ₱41.05:\$1.00 as of December 2012.

Other noncurrent assets

This account decreased by \$21.8 million, or 7.6%, to \$265.5 million as of December 2012 primarily due to the elimination of the intercompany receivables from BG amounting to \$86.6 million following the acquisition of its non-controlling interest in the First Gas Group by Blue Vulcan in May 2012. This was partially offset by the reclassification of the TCCs and ROP Bonds from Other current assets account, and the increase in the exploration and evaluation assets of EDC due to capitalization of expenditures related to the projects in the Mindanao III areas.

Accounts payable and accrued expenses

Accounts payable and accrued expenses increased by \$28.1 million, or 8.5%, to \$359.0 million as of December 31, 2012 as a result of the \$52.0 million increase in EDC's trade payables due to third parties which have remained outstanding at the end of the year. This was partially offset by lower accrued interest payable on the refinanced loans of EDC, and by the lower royalty fee payables mainly due to the full payment of deferred royalty fees by EDC.

Dividends payable

This account increased by \$12.1 million, or 125.5%, from \$9.7 million in 2011 to \$21.8 million in 2012 due to the declaration of cash dividends on the Series B, E, F, and G preferred shares in November 2012.

Income tax payable

Income tax payable increased by \$1.0 million, or 14.6%, due mainly to increase in taxes of FGP and FGPC due to the higher taxable income for the year 2012. This was partially offset by the decrease in the income tax payable of EDC by \$0.3 million due to higher CWT.

Long-term debts – current portion

This current portion of long-term debts pertains to the portion of debt that will be due within the next 12 months. The increase in this account of \$0.7 million, or 0.6%, is mainly due to the reclassification of the long-term debt of EDC and a part of the proceeds received from the \$420.0 million refinancing of FGP to the current portion. These increases were almost entirely offset by the scheduled payments on the FGP and FGPC loans, the prepayment of the Parent Company's Term Loan Facility amounting to \$142.0 million, and the Dual Currency Loan Facility amounting to \$83.7 million. This was further reduced by the prepayment of the Blue Vulcan loans amounting to \$25.0 million.

Convertible Bonds – current portion

This account pertains to the unredeemed Convertible Bonds which had a face value of \$57.0 million (and carrying value of \$72.6 million) that was reclassified to the current portion following a maturity date of less than twelve months. In 2012, the Parent Company bought back Convertible Bonds 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.

Derivative liabilities – current portion

Derivative liabilities decreased by \$0.5 million, or 18.3%, to \$2.1 million as of December 31, 2012 from \$2.6 million as of December 31, 2011. The balance at year-end 2012 is due to EDC's cross currency swaps designated as accounting hedges. This was offset by the absence of the swap obligations by FGP and FGPC.

On September 7, 2011, FGPC and FGP entered into several forward contracts with ING to purchase Euro at fixed U.S. dollar rates. Under this agreement, FGPC and FGP were each obligated to buy Euro from ING amounting to €2.5 million and €1.2 million, respectively, based on agreed exchange rates. The settlement of each of the forward contracts was from December 2011 up to May 2012 which coincided with the outstanding monthly payables to SPOI.

Long-term debt – net of current portion

As of December 31, 2012, long-term debt stood at \$2,164.0 million. This was \$134.3 million, or 6.6%, higher than the December 2011 balance of \$2,029.7 million primarily due to the \$420.0 million refinancing of the FGP loans, the drawdown of the remaining \$49.0 million of the \$100.0 million Notes Facility, as well as the proceeds of the FXCN loan by EDC. This was partly offset by the scheduled principal payments of the existing loans of FGPC, the prepayments of the \$142.0 million Term Loan Facility, the \$83.8 million Dual Currency Loan Facility by the Parent Company and the prepayment of the FCRN loan by EDC.

Derivative liabilities – net of current portion

This account increased by \$2.8 million, or 4.8%, to \$61.1 million as of December 31, 2012 from \$58.3 million as of December 31, 2011 mainly due to EDC's cross currency swaps designated as accounting hedges.

Retirement and other post-employment benefits

The \$5.4 million decrease in this account was mainly due to the \$14.1million First Gen Group contribution to the retirement fund and recognized retirement benefit income. This was partially offset by the \$12.6 million actuarial losses recognized in other comprehensive income.

Deferred income tax liabilities – net

The account increased by \$1.0 million, or 5.7%, primarily due to the recognition of the tax liabilities of Blue Vulcan in 2012 amounting to \$5.2 million. This was partially offset by movements in the foreign exchange rate of the Philippine Peso against the U.S. Dollar and the unfavorable movements in MTM valuation of FGPC's interest rate swap resulting in a decrease in deferred income tax liabilities by \$4.0 million.

FGPC recognized a derivative liability when it entered into several interest rate swap agreements to hedge a portion of the interest payments of its floating-rate loans to a fixed-rate. Unfavorable movements in the MTM valuation due to the decrease in the LIBOR projections would result into higher derivative liabilities which would consequently lead to a decrease in deferred income tax liabilities. On the other hand, favorable movements in the MTM valuation due to the increase in the LIBOR projections would result in lower derivative liabilities which would consequently lead to an increase in the deferred income tax liabilities.

Other noncurrent liabilities

Other noncurrent liabilities increased by \$10.9 million, or 59.0%, to \$29.3 million as of December 31, 2012 from \$18.4 million as of December 31, 2011. This was mainly a result of the liability recognized on expropriation of land by EDC, and by the accretion in the asset retirement obligations of EDC and the First Gas Group.

Redeemable Preferred Stock

The increase in this account by \$31.2 million, or 81.7%, to \$69.3 million as of December 2012 from \$38.1 million as of December 2011 was brought about by the issuance of the ₱12.1 billion Series G perpetual preferred shares.

On February 27, 2012, First Gen issued 33,750,000 shares to First Philippine Holdings Corporation (FPH) with a par value of ₱10.00 per share for the Parent Company's application to increase its authorized capital stock in preparation for the Series G Perpetual Preferred Shares offering. The total consideration received by First Gen from the private placement amounted to ₱337.5 million. On May 18, 2012, First Gen completed its ₱12.0 billion offering, through the issuance, by way of a public offer, of 100 million shares of cumulative, non-voting, non-convertible Series G Perpetual Preferred Shares with a dividend rate of 7.7808%. Additional proceeds amounting to ₱1.8 billion were received by First Gen on May 25, 2012 subsequent to the ₱90.00 per share top-up of FPH on 20.0 million of the 33.75 million of their shares from the private placement.

On July 25, 2022, or on any dividend payment date thereafter, First Gen has the option, but not the obligation, to redeem all of the Series G Perpetual Preferred Shares outstanding.

Additional paid-in capital

This account increased by \$251.0 million, or 31.3%, due to the issuance of the Series G perpetual preferred shares at an issue value of ₱100.00 per share.

Accumulated unrealized gain on AFS financial assets

This account decreased by \$0.3 million, or 25.7%, to \$0.6 million as of December 2012 from \$0.9 million as of December 2011 due to the decrease in the fair value of EDC's AFS financial assets during the year.

Cumulative translation adjustments (CTA)

This account increased by \$82.2 million, or 426.3%, primarily due to the \$91.8 million increase 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 ₱43.84:\$1.00 in December 2011 to ₱41.05:\$1.00 in December 2012. This was partially offset by the \$9.6 million loss on the cash flow hedge as a result of higher projected LIBOR as of December 2012, compared to the forecast in December 2011.

Retained earnings

First Gen's retained earnings increased by \$147.9 million, or 35.4%, to \$566.3 million as of December 31, 2012 from \$418.4 million as of December 31, 2011. This was from the earnings during the year, partially offset by the cash dividends declared in favor of the preferred shareholders.

Cost of common stock held in treasury

The increase in the cost of common stock held in treasury by \$6.2 million is mainly due to the acquisition of the Parent Company common stocks by the subsidiaries of First Gen.

Non-controlling Interests

Non-controlling interests decreased by \$105.9 million, or 20.4%, to \$412.2 million as of December 2012 as a result of the acquisition of the non-controlling interest of BG by Blue Vulcan in the First Gas Group and the dividends declared by EDC, partially offset by the earnings during the year.

DISCUSSIONS OF MAJOR SUBSIDIARIES

FGPC

(AUDITED) (in USD thousands)	For the years ended December 31	
	2013	2012 (As restated)
Revenues	968,434	927,015
Operating income	148,197	163,239
Net income	75,129	90,679
As of the years ended December 31		
(in USD thousands)	2013	2012 (As restated)
Total assets	923,322	847,232
Debt – net of debt issuance costs	369,837	407,346
Other liabilities	270,582	176,306
Total equity	282,903	263,580

December 2013 vs. December 2012 Results

FGPC's revenues for 2013 increased by \$41.4 million, or 4.5%, to \$968.4 million in 2013 from \$927.0 million in 2012 on account of higher fuel charges primarily due to higher liquid fuel consumption – particularly during the Malampaya outage in November and December – coupled with higher average plant dispatch of 83.3% against last year's 79.8%. These were partially offset by decrease in average gas prices (from \$13.4/MMBtu in 2012 to \$12.8/MMBtu in 2013) due to lower oil prices in the world market.

Operating income decreased by \$15.0 million, or 9.2%, in 2013 due mostly to higher variable O&M fees for the year ended December 2013. Variable O&M increased by \$7.3 million due to higher plant dispatch and lower capitalized O&M variable fees. This was further reduced by higher G&A costs by \$1.9 million on account of higher employee head count, salary adjustments and employee benefits.

FGPC posted net income of \$75.1 million in 2013 which is \$15.6 million, or 17.2% lower, than the \$90.7 million registered in 2012. The decrease was mainly due to higher O&M fees, general and administrative expenses, and income taxes. Income taxes were higher due to the reversal of the deferred tax benefit in 2012 to a deferred tax expense in 2013 mainly due to the depreciation of the Philippine Peso (from ₱41.05:\$1.00 as of end-2012 to ₱44.395:\$1.00 as of December 31, 2013). The decreases were partially offset by lower interest expense as a result of the scheduled amortization of long term debt.

ASSETS

FGPC's total assets as of December 2013 stood at \$923.3 million, higher by \$76.1 million, or 9.0%, than the December 2012 level of \$847.2 million due to:

- higher cash balances from operations;
- higher balance of receivables; and
- increase in capitalized prepaid major spare parts on account of the turbine blades.

These were partially offset by:

- decrease in advances to shareholders due to scheduled payments
- full year depreciation and amortization of fixed assets.

LIABILITIES AND EQUITY

FGPC's total liabilities amounted to \$640.4 million as of December 2013, which is higher by \$56.8 million, or 9.7%, as compared to \$583.7 million as of December 2012, primarily due to higher payables to the

liquid fuel supplier, partially offset by 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 higher by \$19.3 million, or 7.3%, to \$282.9 million in December 2013 as compared to the December 2012 balance of \$263.6 million. The increase in equity was mainly due to 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. These were partially offset by dividends paid to common stockholders.

FGP Corp.

(AUDITED)	For the years ended December 31	
(in USD thousands)	2013	2012 (As restated)
Revenues	343,666	478,648
Operating income	54,273	70,408
Net income	24,286	49,800
	As of the years ended December 31	
(in USD thousands)	2013	2012 (As restated)
Total Assets	617,199	601,672
Debt – net of debt issuance costs	447,850	415,189
Other Liabilities	47,211	72,638
Total Equity	122,138	113,845

December 2013 vs. December 2012 Results

Total revenues for the year ended December 31, 2013 posted a \$135.0 million decrease, or 28.2%, to \$343.7 million in 2013 from \$478.6 million in 2012. The decrease in revenues was primarily due to the temporary shutdown of Unit 60 caused by the fire at the main transformer that occurred last May 28, 2013. The incident caused extensive damage to the transformer and rendered the Unit 60 inoperable. This resulted to a decrease in the average net capacity factor from 82.7% in 2012 to 76.5% in 2013 and lower average NDC value of 409.6 MW in 2013 from 525.6 MW in 2012. The decrease was slightly offset by the interest income earned from the advances to First Gen amounting to \$4.9 million and partial collection of insurance proceeds for the damaged transformer totaling to \$1.0 million from the insurers.

Operating income decreased by \$16.1 million from \$70.4 million in 2012 to \$54.3 in 2013 million mainly due to the shutdown of Unit 60. This was further decreased by higher administrative costs. Net income likewise decreased by \$25.5 million, or 51.2%, to \$24.3 million in 2013 from \$49.8 in 2012 million due to the decrease in operating income, higher interest expense due to the \$420.0 million refinancing of the FGP loan, recognition of provision for deferred income taxes due to the depreciation of the Philippine Peso, and an increase in administrative costs.

ASSETS

FGP's total assets as of December 2013 stood at \$617.2 million which is \$15.5 million higher, or 2.6%, than \$601.7 in 2012 million due to the:

- higher outstanding receivables from FGPC for the purchase of liquid fuel that was advanced by FGP;
- higher outstanding interest receivable from the advances to First Gen; and
- increase in fixed assets resulting from capitalized costs associated with the new transformer and the Thermal Performance Upgrade that was installed during the last quarter of 2013.

The increase was offset by:

- lower cash balance from operations;
- decrease in deferred tax assets resulting from the depreciation of Philippine Peso against the U.S. dollar from ₱41.05 to US\$1.00 in December 2012 to ₱44.395 to US\$1.00 in December 2013.

LIABILITIES AND EQUITY

As of December 2013, total liabilities slightly increased by \$7.3 million, or 1.5%, to \$495.1 million from last year's \$487.8 million mainly from the short-term loan amounting to \$50.0 million that was availed on November 22, 2013.

The increase was offset by:

- scheduled payments of loans;
- lower outstanding payables to SPEX and SPO due to the reduced generation capacity of the San Lorenzo power plant by approximately 250MW as a result of the damaged Unit 60 main transformer; and
- lower outstanding income tax payable.

Total equity increased by \$8.3 million, or 7.3%, to \$122.1 million in 2013 as compared to \$113.8 million in 2012. The increase in equity was brought about by the recognition of "Accumulated other comprehensive income" account arising from the MTM valuation of the three new derivative instruments entered last April and May 2013 to hedge a portion of the refinanced loans. This was further increased by the net income during the year, partially offset by cash dividends paid to common stockholders.

EDC Consolidated

(AUDITED) (Amounts in PHP millions)	For the years ended December 31	
	2013	2012 (As restated)
Revenues	25,656.3	28,368.6
Foreign exchange gains (losses), net	(1,261.2)	1,053.5
Income before income tax	6,114.1	11,394.2
Net income	5,628.1	10,716.6
Recurring net income	7,453.6	10,236.0
	As of the years ended December 31	
	2013	2012 (As restated)
Total Assets	105,005.5	94,355.1
Total Liabilities	68,760.5	59,646.7
Total Equity	36,245.0	34,708.4

December 2013 vs. December 2012 Results

During 2013, EDC posted a consolidated net income of ₱5,628.1 million which is ₱5,088.5 million, or 47.5% lower, from the ₱10,716.6 million in 2012. EDC's consolidated revenues decreased by ₱2,712.3 million, or 9.6%, to ₱25,656.3 million in 2013. The downward movement was driven by lower revenues from sale of electricity of FG Hydro by ₱2,252.0 million and lower revenues from the Unified Leyte and Tongonan plants as a result of the Typhoon Yolanda. These decreases were partially offset by the revenues from Bacman 2 Unit 3 and the higher revenues from GCGI due to higher volume and average tariff.

EDC likewise booked losses on damaged assets due to Typhoon Yolanda totaling ₱625.0 million and recognized an impairment loss on its evaluation and exploration assets amounting to ₱574.8 million. These one-time losses were further enlarged by the reversal of the foreign exchange gains of ₱1,053.5 million in 2012 to ₱1,261.2 million foreign exchange losses in 2013.

EDC's recurring net income in 2013 decreased by ₱2,782.4 million, or 27.2%, to ₱7,453.6 million from ₱10,236.0 million in 2012. The unfavorable variance was primarily due to FG Hydro's lower revenues from its sale of electricity and the ₱763.7 million decrease in EDC's revenues. These were offset by the ₱189.9 million income from Bacman 2 Unit 3 and GCGI's higher revenues of ₱113.6 million.

Total assets increased by ₱10,650.4 million, or 11.3%, to ₱105,005.5 million came mainly from the cash and cash equivalents account which increased by 40.5% or ₱4,623.1 million to ₱16,043.2 million as of December 31, 2013 from the ₱11,420.1 million December 31, 2012 balance. This was further augmented

by an increase in the PPE by ₱5,559.8 million, or 9.2%, primarily due to additions though partially offset by the depreciation for the year.

The increase in cash was primarily due to the ₱15,335.3 million cash generated from operations, and the drawdown of loans (net of principal payments) amounting to ₱7,908.4 million. This was partially offset by the ₱10,366.5 million acquisitions of PPE, the ₱3,958.7 million payment of cash dividends, and the ₱3,477.3 million interest and other financing charges paid.

Total liabilities increased by ₱9,113.8 million, or 15.3%, to ₱68,760.5 million in 2013 from ₱59,646.7 million in 2012 attributed to the newly issued ₱7,000.0 million fixed rate bonds and the \$80.0 million term loan.

Total equity increased by ₱1,536.6 million, or 4.4%, to ₱36,245.0 million in 2013 from ₱34,708.4 million in 2012 mainly due to the net income for the year of ₱4,739.6 million, partially offset by the cash dividends paid during the year amounting to ₱3,007.5 million.

FG Bukidnon

	For the years ended December 31	
(in PHP thousands)	2013	2012
Revenues	50,507	41,843
Operating income	21,615	16,905
Net income	17,799	15,254
	As of the years ended December 31	
(in PHP thousands)	2013	2012 (As restated)
Total Assets	137,023	167,940
Total Current Liabilities	21,529	22,110
Other Liabilities	14,855	12,887
Total Equity	100,639	132,943

December 2013 vs. December 2012 Results

Revenue increased by ₱8.7 million, or 20.7%, mainly resulting from insurance claim proceeds and other income recognized in 2013.

Operating income increased by ₱4.7 million, or 27.9%, in 2013 due to the insurance claim proceeds and other income recognized in 2013, partially offset by higher staff costs and higher power plant operations and maintenance due to repairs made on the damaged areas within the plant caused by a typhoon.

FG Bukidnon posted net income of ₱17.8 million which is ₱2.5 million higher than last year's ₱15.3 million. The increase was mainly due to insurance claim proceeds and other income recognized in 2013 partially offset by higher power plant operations and maintenance, higher staff costs, and higher provision for income tax.

ASSETS

Total assets as of December 31, 2013 stood at ₱137.0 million which is ₱30.9 million, or 18.4%, lower than the December 31, 2012 level of ₱167.9 million mainly due to the ₱50.0 cash dividends paid last December 2013, partially offset by the following:

- accumulation of cash from operations;
- increase in deferred income tax; and,
- increase in input value added tax.

LIABILITIES AND EQUITY

As of December 31, 2013, total current liabilities decreased by ₱0.6 million, or 2.6%, due to the lower level of trade payables for the year partially offset by higher income tax payable.

As of December 31, 2013, other liabilities increased by ₱2.0 million, or 15.3%, due to the set-up of the retirement liability and asset retirement obligation for the year 2013.

Total equity decreased by ₱32.3 million, or 24.3% to ₱100.6 million in 2013 mainly due to the ₱50.0 cash dividends paid, partially offset by the net income earned during the year.

Key Performance Indicators

First Gen Consolidated	Dec. 2013	Dec. 2012
Current ratio	2.46x	1.88x
Asset-to-equity ratio	2.84x	2.59x
Debt-to-equity ratio	1.84x	1.59x
Quick ratio	2.16x	1.58x
Return on assets (%)	3.48%	6.86%
Return on equity (%)	9.44%	17.77%
Interest-bearing debt-to-equity ratio (times)	1.54x	1.29x

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

FIRST GEN CORPORATION AND SUBSIDIARIES
AGING OF RECEIVABLES
Amounts in U.S. Dollars and in Thousands

	Current	More than 30 days past due	More than 30 days to 1 year past due	More than 1 year past due	Total
Trade	\$318,985	\$384	\$1,708	\$2,053	\$323,130
Related parties	2,840	—	—	—	2,840
Loans and notes receivables	2,814	—	—	—	2,814
Others	7,888	—	227	1	8,116
	332,527	384	1,935	2,054	336,900
Less: allowance for doubtful accounts	—	—	—	(2,053)	(2,053)
	\$332,527	\$384	\$1,935	\$1	\$334,847

EXHIBIT “B”

AUDITED CONSOLIDATED FINANCIAL STATEMENTS



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 19, 2014

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, 2013 and 2012, 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.

A handwritten signature in black ink, appearing to read 'Federico R. Lopez'.

Federico R. Lopez

Chairman and Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Francis Giles B. Puno'.

Francis Giles B. Puno

President and Chief Operating Officer

A handwritten signature in black ink, appearing to read 'Emmanuel P. Singson'.

Emmanuel P. Singson
SVP, CFO and Treasurer



First Gen Corporation

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

SUBSCRIBED AND SWORN TO before me this APR 01 2014 day of April 2014, affiants exhibited to me their Community Tax Certificate Nos. as follows:

	<u>CTC No.</u>	<u>Date/Place Issued</u>
Federico R. Lopez	06298929	January 29, 2014 / Pasig City
Francis Giles B. Puno	06298930	January 29, 2014 / Pasig City
Emmanuel P. Singson	07656640	January 20, 2014 / Quezon City

Doc. No. 46
Page No. 10
Book No. 95
Series of 2014.

Tomas F. Dulay Jr.
ATTY. TOMAS F. DULAY JR.
NOTARY PUBLIC
Until December 31, 2014
ADM MATTER #, NP-061-2014-2015
PTR# 904238301-02 /01-07-14 Q.C.
IBP# 915073 CY-2014 Q.C.
Roli No. 16583/03/13-61
TIN# 410225916
Add. 92 Legaspi St. Proj. 4 Q.C.
MCLE EXEMPTED # 000838

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

(Business Address: No. Street City/Town/Province)

Ma. Carmina Z. Ubaña

(Contact Person)

631-8024

(Company Telephone Number)

1	2
---	---

Month

3	1
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Day

(Fiscal Year)

A	A	C	F	S
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(Form Type)

0	5
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Month

1	2
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Day

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

364

Total No. of Stockholders

Total Amount of Borrowings

\$1,436,692
(in thousands)

Domestic

\$1,179,925
(in thousands)

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

LCU

[illegible]

Document ID

Cashier

Cashier

STAMPS

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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, 2013 and 2012, 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, 2013, 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.

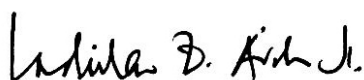
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 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. 08-001998-43-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4225149, January 2, 2014, Makati City

March 19, 2014



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

	December 31, 2013	December 31, 2012 (As restated - Note 2)	January 1, 2012 (As restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 6, 16, 26 and 27)	\$870,253	\$633,011	\$554,586
Receivables (Notes 7, 20, 26, 27 and 28)	334,847	294,388	261,562
Inventories (Note 8)	109,723	126,339	143,515
Other current assets (Notes 9, 12, 26 and 27)	61,355	44,286	64,447
Total Current Assets	1,376,178	1,098,024	1,024,110
Noncurrent Assets			
Property, plant and equipment (Notes 10, 16 and 28)	2,059,215	1,963,127	1,813,952
Goodwill and intangible assets (Note 11)	1,226,835	1,350,630	1,277,102
Deferred income tax assets - net (Note 24)	34,791	36,226	35,597
Other noncurrent assets (Notes 9, 12, 23, 26, 27 and 28)	217,075	265,514	287,287
Total Noncurrent Assets	3,537,916	3,615,497	3,413,938
TOTAL ASSETS	\$4,914,094	\$4,713,521	\$4,438,048
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Notes 13, 26, 27 and 28)	\$357,563	\$359,044	\$330,973
Dividends payable (Notes 18, 26 and 27)	20,202	21,849	9,687
Income tax payable	2,314	7,435	6,485
Due to related parties (Notes 20, 26 and 27)	258	144	6,932
Loans payable (Notes 15, 26 and 27)	53,829	—	—
Current portion of:			
Long-term debts (Notes 10, 16, 26 and 27)	124,473	122,122	121,444
Derivative liabilities (Notes 16, 26 and 27)	12	2,081	2,546
Convertible bonds (Notes 14, 26 and 27)	—	72,578	—
Total Current Liabilities	558,651	585,253	478,067
Noncurrent Liabilities			
Long-term debts - net of current portion (Notes 10, 16, 26 and 27)	2,492,144	2,163,986	2,029,658
Derivative liabilities - net of current portion (Notes 16, 26 and 27)	34,579	61,156	58,352
Retirement and other post-employment benefits (Note 23)	40,469	35,565	41,013
Deferred income tax liabilities - net (Note 24)	22,946	16,384	15,494
Other noncurrent liabilities (Note 17)	35,438	29,283	18,419
Convertible bonds (Notes 14, 26 and 27)	—	—	84,662
Total Noncurrent Liabilities	2,625,576	2,306,374	2,247,598
Total Liabilities	\$3,184,227	\$2,891,627	\$2,725,665

(Forward)



	December 31, 2013	December 31, 2012 (As restated - Note 2)	January 1, 2012 (As restated - Note 2)
Equity Attributable to Equity Holders of the Parent Company (Notes 18 and 19)			
Redeemable preferred stock	\$69,345	\$69,345	\$38,159
Common stock	74,728	74,715	74,701
Additional paid-in capital	1,052,282	1,052,180	801,148
Accumulated unrealized gain on Available-for-Sale (AFS) financial assets - net (Note 9)	344	647	871
Cumulative translation adjustments (Notes 18 and 27)	(19,909)	62,920	(19,281)
Equity reserve (Notes 2 and 18)	(365,496)	(357,209)	(66,759)
Retained earnings (Note 18)	600,974	566,290	418,389
Cost of common stock held in treasury (Note 18)	(62,253)	(59,235)	(52,987)
	1,350,015	1,409,653	1,194,241
Non-controlling Interests (Note 2)	379,852	412,241	518,142
Total Equity	1,729,867	1,821,894	1,712,383
TOTAL LIABILITIES AND EQUITY	\$4,914,094	\$4,713,521	\$4,438,048

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		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
REVENUES FROM SALE OF ELECTRICITY (Notes 10, 28, and 29)	\$1,904,919	\$2,060,229	\$1,907,178
COSTS OF SALE OF ELECTRICITY (Notes 8, 10, 11, 21, 23 and 28)	(1,301,315)	(1,374,641)	(1,336,215)
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8, 10, 11, 12, 21, 23 and 28)	(169,216)	(175,583)	(157,945)
FINANCIAL INCOME (EXPENSE)			
Interest income (Notes 6 and 22)	9,133	13,850	17,388
Interest expense and financing charges (Notes 14, 15, 16, 22 and 27)	(149,365)	(173,736)	(193,007)
	(140,232)	(159,886)	(175,619)
OTHER INCOME (CHARGES)			
Foreign exchange gains (losses) - net	(34,894)	23,745	(9,784)
Loss on damaged assets due to Typhoon Yolanda (Notes 8 and 10)	(14,810)	—	—
Loss on impairment of exploration and evaluation assets (Note 12)	(13,621)	—	—
Mark-to-market gain on derivatives - net (Note 27)	337	259	6,234
Recovery of (loss on) impairment of property, plant and equipment (Note 10)	—	1,499	(115,352)
Others - net	(1,854)	(5,083)	1,549
	(64,842)	20,420	(117,353)
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	229,314	370,539	120,046
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	63,313	60,973	58,791
Deferred	(1,594)	(2,146)	(14,278)
	61,719	58,827	44,513
NET INCOME FROM CONTINUING OPERATIONS	167,595	311,712	75,533
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 4)	—	2,297	(1,875)
NET INCOME	\$167,595	\$314,009	\$73,658
Net income attributable to:			
Equity holders of the Parent Company	\$118,077	\$189,834	\$35,131
Non-controlling interests	49,518	124,175	38,527
	\$167,595	\$314,009	\$73,658
Basic/Diluted Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company (Note 25)	\$0.029	\$0.050	\$0.008

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		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
NET INCOME	\$167,595	\$314,009	\$73,658
OTHER COMPREHENSIVE INCOME (LOSS):			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange gains (losses) on foreign currency translation	(143,124)	114,102	525
Net gains (losses) on cash flow hedge - net of tax (Note 27)	20,326	(1,665)	(13,992)
Unrealized losses on AFS financial assets (Note 9)	(756)	(561)	(645)
	(123,554)	111,876	(14,112)
<i>Other comprehensive 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	(4,522)	(12,625)	(9,738)
Total other comprehensive income (loss) - net of tax	(128,076)	99,251	(23,850)
TOTAL COMPREHENSIVE INCOME	\$39,519	\$413,260	\$49,808
Total comprehensive income attributable to:			
Equity holders of the Parent Company	\$32,359	\$264,991	\$22,997
Non-controlling interests	7,160	148,269	26,811
	\$39,519	\$413,260	\$49,808

See accompanying Notes to Consolidated Financial Statements.



FIRST GEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 and 2011
(Amounts in U.S. Dollars and in Thousands)

Equity Attributable to Equity Holders of the Parent Company (Notes 18 and 19)													
	Capital Stock		Additional Paid-in Capital	Accumulated Share in Other Comprehensive Income (Losses) of Associates	Cumulative Translation Adjustments	Accumulated Unrealized Gain (Loss) on AFS Financial Assets	Equity Reserve (Note 2)	Re- measurement of Retirement and Other Post- Employment Benefits	Retained Earnings	Cost of Common Stock Held in Treasury	Subtotal	Non- controlling Interests	Total
	Redeemable Preferred Stock	Common Stock											
BALANCES AT DECEMBER 31, 2012, AS PREVIOUSLY REPORTED	\$69,345	\$74,715	\$1,052,180	(\$5,061)	(\$22,892)	\$—	(\$248,780)	\$—	\$574,412	(\$57,429)	\$1,436,490	\$—	\$1,436,490
Impact of effectivity of PFRS 10, <i>Consolidated Financial Statements</i> (Note 2)	—	—	—	5,061	86,673	647	(108,429)	—	1,369	(1,806)	(16,485)	421,423	404,938
Impact of effectivity of PAS 19, <i>Employee Benefits</i> (Revised) (Note 2)	—	—	—	—	(861)	—	—	—	(9,491)	—	(10,352)	(9,182)	(19,534)
BALANCES AT DECEMBER 31, 2012, AS RESTATED	69,345	74,715	1,052,180	—	62,920	647	(357,209)	—	566,290	(59,235)	1,409,653	412,241	1,821,894
Total comprehensive income (loss)	—	—	—	—	(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 18)	—	13	102	—	—	—	—	—	—	—	115	—	115
Common shares acquired by subsidiaries (Note 18)	—	—	—	—	—	—	—	—	—	(3,018)	(3,018)	—	(3,018)
Share in employee trusts of EDC	—	—	—	—	—	—	—	—	—	—	—	270	270
Cash dividends on preferred shares (Note 18)	—	—	—	—	—	—	—	—	(41,654)	—	(41,654)	—	(41,654)
Cash dividends on common shares (Note 18)	—	—	—	—	—	—	—	—	(39,153)	—	(39,153)	—	(39,153)
Acquisition of non-controlling interests	—	—	—	—	—	—	(8,287)	—	—	—	(8,287)	(4,223)	(12,510)
Dividends of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(35,596)	(35,596)
BALANCES AT DECEMBER 31, 2013	\$69,345	\$74,728	\$1,052,282	\$—	(\$19,909)	\$344	(\$365,496)	\$—	\$600,974	(\$62,253)	\$1,350,015	\$379,852	\$1,729,867
BALANCES AT DECEMBER 31, 2011, AS PREVIOUSLY REPORTED	\$38,159	\$74,701	\$801,148	(\$33,784)	(\$24,504)	\$—	\$—	\$—	\$423,454	(\$52,987)	\$1,226,187	\$180,630	\$1,406,817
Impact of effectivity of PFRS 10	—	—	—	33,784	5,112	871	(66,759)	—	1,369	—	(25,623)	345,655	320,032
Impact of effectivity of PAS 19R	—	—	—	—	111	—	—	—	(6,434)	—	(6,323)	(8,143)	(14,466)
BALANCES AT DECEMBER 31, 2011, AS RESTATED	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 18)	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 18)	—	14	105	—	—	—	—	—	—	—	119	—	119

(Forward)



Equity Attributable to Equity Holders of the Parent Company (Notes 18 and 19)

	Capital Stock		Additional Paid-in Capital	Accumulated Share in Other Comprehensive Income (Losses) of Associates	Cumulative Translation Adjustments	Accumulated Unrealized Gain (Loss) on AFS Financial Assets	Equity Reserve (Note 2)	Re- measurement of Retirement and Other Post- Employment Benefits	Retained Earnings	Cost of Common Stock Held in Treasury	Subtotal	Non- controlling Interests	Total
	Redeemable Preferred Stock	Common Stock											
Acquisition of non-controlling interests in First Gas Group	\$-	\$-	\$-	\$-	\$-	\$-	(\$248,780)	\$-	\$-	\$-	(\$248,780)	(\$202,079)	(\$450,859)
Acquisition of non-controlling interests in EDC	-	-	-	-	-	-	(41,670)	-	-	-	(41,670)	(21,145)	(62,815)
Common shares acquired by subsidiaries (Note 18)	-	-	-	-	-	-	-	-	-	(6,248)	(6,248)	-	(6,248)
Investments from non-controlling shareholders in PT EDC Indonesia, PT EDC Panas Bumi Indonesia and EDC Quellaapacheta	-	-	-	-	-	-	-	-	-	-	-	30	30
Share in employee trusts of EDC	-	-	-	-	-	-	-	-	-	-	-	583	583
Cash dividends on preferred shares (Note 18)	-	-	-	-	-	-	-	-	(35,113)	-	(35,113)	-	(35,113)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(31,559)	(31,559)
BALANCES AT DECEMBER 31, 2012, AS RESTATED	\$69,345	\$74,715	\$1,052,180	\$-	\$62,920	\$647	(\$357,209)	\$-	\$566,290	(\$59,235)	\$1,409,653	\$412,241	\$1,821,894
BALANCES AT JANUARY 1, 2011, AS PREVIOUSLY REPORTED	\$14,585	\$74,697	\$590,193	(\$21,006)	(\$16,309)	\$-	\$-	\$-	\$400,123	(\$52,987)	\$989,296	\$158,673	\$1,147,969
Impact of effectivity of PFRS 10	-	-	-	21,006	4,893	1,129	5,363	-	1,369	-	33,760	430,247	464,007
Impact of effectivity of PAS 19R	-	-	-	-	-	-	-	-	(2,533)	-	(2,533)	(2,397)	(4,930)
BALANCES AT JANUARY 1, 2011, AS RESTATED	14,585	74,697	590,193	-	(11,416)	1,129	5,363	-	398,959	(52,987)	1,020,523	586,523	1,607,046
Total comprehensive income (loss)	-	-	-	-	(7,865)	(258)	-	(4,011)	35,131	-	22,997	26,811	49,808
Re-measurement of retirement and other post- employment benefits closed to retained earnings	-	-	-	-	-	-	-	4,011	(4,011)	-	-	-	-
Proceeds from issuance of Series "F" Perpetual Preferred Shares (Note 18)	23,574	-	212,164	-	-	-	-	-	-	-	235,738	-	235,738
Transaction costs on Series "F" Perpetual Preferred Shares issuance	-	-	(1,242)	-	-	-	-	-	-	-	(1,242)	-	(1,242)
Exercise of stock options (Note 18)	-	4	33	-	-	-	-	-	-	-	37	-	37
Acquisition of non-controlling interests in EDC	-	-	-	-	-	-	(72,122)	-	-	-	(72,122)	(33,169)	(105,291)
Share in employee trusts of EDC	-	-	-	-	-	-	-	-	-	-	-	180	180
Cash dividends on preferred shares (Note 18)	-	-	-	-	-	-	-	-	(11,690)	-	(11,690)	-	(11,690)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(62,203)	(62,203)
BALANCES AT DECEMBER 31, 2011, AS RESTATED	\$38,159	\$74,701	\$801,148	\$-	(\$19,281)	\$871	(\$66,759)	\$-	\$418,389	(\$52,987)	\$1,194,241	\$518,142	\$1,712,383

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		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	\$229,314	\$370,539	\$120,046
Income (loss) before income tax from discontinued operations (Note 4)	—	3,282	(2,059)
Income before income tax	229,314	373,821	117,987
Adjustments for:			
Depreciation and amortization (Notes 10, 11 and 21)	159,183	158,002	152,157
Interest expense and financing charges (Note 22)	149,365	173,736	193,007
Unrealized foreign exchange losses (gains) - net	32,137	(29,904)	(2,241)
Loss on damaged assets due to Typhoon Yolanda (Notes 8 and 10)	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)	5,214	—	—
Loss on debt extinguishment (Note 16)	—	4,434	4,567
Loss on (recovery of) impairment of property, plant and equipment	—	(1,499)	115,352
Interest income (Note 22)	(9,133)	(13,850)	(17,388)
Mark-to-market gain on derivatives - net (Note 27)	(337)	(259)	(6,234)
Income before working capital changes	594,174	664,481	557,207
Decrease (increase) in:			
Receivables	(41,878)	(32,646)	(82,988)
Inventories	51,519	17,176	(36,426)
Other current assets	(16,803)	6,377	(3,751)
Increase (decrease) in:			
Accounts payable and accrued expenses	(37,042)	40,018	86,218
Retirement and other post-employment benefits	751	(19,045)	(5,506)
Cash generated from operations	550,721	676,361	514,754
Interest received	9,133	13,850	17,388
Income taxes paid	(68,314)	(60,061)	(59,059)
Net cash provided by operating activities	491,540	630,150	473,083
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (Note 10)	(311,267)	(162,242)	(214,568)
Intangible assets	(4,070)	—	—
Other noncurrent assets	(59,095)	(70,798)	(68,197)
Exploration and evaluation assets	(32,025)	(12,183)	(4,328)
AFS financial assets	(1,552)	(1,998)	—
Proceeds from incidental income from testing property, plant and equipment (Note 10)	33,210	12,263	876

(Forward)



Years Ended December 31			
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Proceeds from disposal of property and equipment	\$1,498	\$111	\$110
Redemption of AFS financial assets	3,091	—	—
Collections from non-controlling shareholder	—	—	10,568
Net cash used in investing activities	(370,210)	(234,847)	(275,539)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of long-term debt - net of debt issuance costs (Note 16)	541,669	619,862	573,195
Availment of short-term loans (Note 15)	53,829	78,769	—
Exercise of stock options (Notes 2 and 18)	115	119	37
Issuance of Perpetual Preferred shares - net of transaction costs (Note 18)	—	282,113	234,496
Payments of:			
Long-term debts (Note 16)	(138,180)	(561,876)	(336,284)
Interest expense and financing charges	(139,411)	(167,370)	(154,319)
Redemption of convertible bonds (Note 14)	(72,972)	—	(83,817)
Cash dividends to preferred shareholders (Note 18)	(44,092)	(23,405)	(1,889)
Cash dividends to common shareholders (Note 18)	(38,937)	—	—
Dividends to non-controlling shareholders of subsidiaries (Note 18)	(35,596)	(31,559)	(62,203)
Acquisition of non-controlling interest in EDC	(12,510)	(62,815)	(105,291)
Acquisition of non-controlling interests in First Gas Group (Note 2)	—	(360,000)	—
Short-term loans (Note 15)	—	(78,769)	(3,992)
Buy-back of convertible bonds (Note 14)	—	(16,419)	(53,653)
Parent Company shares acquired by subsidiaries (Note 18)	(3,018)	(6,248)	—
Proceeds from (payments to) related parties	115	(440)	(1,143)
Increase in other noncurrent liabilities	5,510	10,120	9,207
Net cash provided by (used in) financing activities	116,522	(317,918)	14,344
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(610)	1,040	(1,212)
NET INCREASE IN CASH AND CASH EQUIVALENTS	237,242	78,425	210,676
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	633,011	554,586	343,910
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	\$870,253	\$633,011	\$554,586

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)

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 is incorporated in British Virgin Islands (BVI) while certain subsidiaries of EDC are incorporated in BVI, Hong Kong, Peru, Chile and Indonesia (see Note 2).

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

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

On May 28, 2012, the Parent Company completed the Public Offering of the 100,000,000 Series “G” Preferred Shares in the Philippines at an issue price of ₱100.00 per share. The Perpetual Preferred shares are currently listed and traded on the First Board of the PSE. The total proceeds from the issuance of the Series “G” Perpetual Preferred shares amounted to ₱10.0 billion (\$234.4 million), net of transaction costs amounting to ₱95.2 million (\$2.2 million) (see Note 18).

As of December 31, 2013 and 2012, First Philippine Holdings Corporation (FPH) directly and indirectly owns 66.2% of the common stocks of First Gen and 100% of First Gen’s voting preferred stocks. With the adoption of Philippine Financial Reporting Standard (PFRS) 10, *Consolidated Financial Statements*, effective January 1, 2013, Lopez Holdings Corporation (LHC) becomes 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 364 common stockholders of record and 3,335,068,757 common stocks issued and outstanding (see Note 18).

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 14, 2014. The same consolidated financial statements were also approved and authorized for issuance by the BOD on March 19, 2014.



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 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.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, First Gen Group presents an additional consolidated statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the consolidated financial statements. An additional consolidated statement of financial position as at January 1, 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policies.

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 in the preparation of the consolidated financial statements are consistent with those followed in the preparation of First Gen Group's annual consolidated financial statements as at and for the year ended December 31, 2012, except for the adoption of the new and amended accounting standards that became effective beginning January 1, 2013.

First Gen Group applies for the first time, certain standards and amendments that required restatement of previous consolidated financial statements. These include PFRS 10, Philippine Accounting Standards (PAS) 19, *Employee Benefits* (Revised) and amendments to PAS 1, *Presentation of Financial Statements*.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the First Gen Group.

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

- PFRS 10, *Consolidated Financial Statements*, replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

As a result of management's reassessment of control over Prime Terracota Holdings Corp. (Prime Terracota) based on the new definition of control and explicit guidance in PFRS 10, as of January 1, 2013, the Parent Company has retrospectively consolidated the financial statements of Prime Terracota, Red Vulcan Holdings Corporation (Red Vulcan) and Energy Development Corporation (EDC) and Subsidiaries, (collectively referred to as



“Prime Terracota Group”) in its 2013 annual consolidated financial statements. Prior to the adoption of PFRS 10, the investment in Prime Terracota Group was accounted for as an investment in an associate. Prime Terracota Group includes Red Vulcan, which owns 40% of the common stock and 20% voting and nonparticipating preferred stock of EDC. The combined common and preferred stocks represent 60% voting interest in EDC. Management has concluded that, under PFRS 10, the Parent Company has control over Prime Terracota due to its ability to direct the relevant activities of Prime Terracota and Red Vulcan and the exposure to variability in returns resides solely with the Parent Company given its 100% ownership of Prime Terracota’s common shares.

- PAS 19, *Employee Benefits* (Revised), requires for defined benefit plans to recognize all actuarial gains and losses in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to adoption of the Revised PAS 19, First Gen Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, First Gen Group changed its accounting policy to recognize all actuarial gains and losses in OCI and past service costs, if any, in profit or loss in the period they occur.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee’s entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

First Gen Group applied the amendments to PAS 19 retrospectively and opted to charge against retained earnings the effect of all transition adjustments as at January 1, 2012 (the transition date) amounting to \$6.4 million. Moving forward, re-measurements were recognized in other comprehensive income and subsequently closed to retained earnings. The effect on basic and diluted earnings per share related to the restatement was immaterial. Changes to the definition of short-term employee benefits and timing of recognition for termination benefits do not have an impact to First Gen Group’s financial position and performance.

The changes in accounting policies described above have been applied retrospectively. The effects of adoption on the consolidated financial statements as of and for the year ended December 31, 2013 are as follows (amounts in thousands):

Increase (decrease) in consolidated statement of financial position:

Net retirement asset	(\$3,274)
Deferred tax assets - net	2,533
Net retirement and other post-employment benefits liabilities	22,507
Deferred tax liabilities - net	(75)
Retained earnings	(11,211)
Non-controlling interests	(11,962)



Increase (decrease) in consolidated statement of income:

Costs of sale of electricity	(\$1,733)
General and administrative expenses	(1,484)
Income before income tax	3,217
Provision for deferred income tax	197
Net income	3,414
Net income attributable to:	
Equity holders of the Parent Company	2,351
Non-controlling interests	1,063
Basic/diluted earnings per share for net income attributable to equity holders of the Parent Company	0.001

Increase (decrease) in consolidated statement of comprehensive income:

Net income	\$3,414
Re-measurement of retirement and other post-employment benefits, net of tax effect amounting to nil in 2013	(4,522)
Total other comprehensive income	(4,522)
Total comprehensive income	(1,108)
Total comprehensive income attributable to:	
Equity holders of the Parent Company	(235)
Non-controlling interests	(873)

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*, change the grouping of items presented in other comprehensive income (OCI). Items that can be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) now have to be presented separately from items that will never be reclassified (e.g. actuarial gains and losses on defined benefit plans). As a result of the amendments, First Gen Group has modified the presentation of items of OCI in the consolidated statements of comprehensive income. The amendments affect presentation only and have no impact on First Gen Group’s financial position and performance.

The following tables show the impact of the adoption of PFRS 10 and Revised PAS 19 which became effective in 2013 (amounts in thousands):

Reconciliation of Equity as of December 31, 2012 and January 1, 2012

	December 31, 2012			January 1, 2012		
	Previous PFRS	Effects of transition	New and Revised PFRS	Previous PFRS	Effects of transition	New and Revised PFRS
ASSETS						
Current Assets						
Cash and cash equivalents	\$347,850	\$285,161	\$633,011	\$266,141	\$288,445	\$554,586
Receivables	202,985	91,403	294,388	192,616	68,946	261,562
Inventories	49,484	76,855	126,339	69,997	73,518	143,515
Other current assets	24,151	20,135	44,286	31,880	32,567	64,447
Total Current Assets	624,470	473,554	1,098,024	560,634	463,476	1,024,110
Noncurrent Assets						
Investments in associates	1,463,708	(1,463,708)	–	1,294,782	(1,294,782)	–
Property, plant and equipment	505,069	1,458,058	1,963,127	520,877	1,293,075	1,813,952
Goodwill and intangible assets	16,166	1,334,464	1,350,630	16,768	1,260,334	1,277,102
Deferred income tax assets - net	7,793	28,433	36,226	3,210	32,387	35,597
Other noncurrent assets	76,752	188,762	265,514	160,340	126,947	287,287
Total Noncurrent Assets	2,069,488	1,546,009	3,615,497	1,995,977	1,417,961	3,413,938
TOTAL ASSETS	\$2,693,958	\$2,019,563	\$4,713,521	\$2,556,611	\$1,881,437	\$4,438,048

(Forward)



	December 31, 2012			January 1, 2012		
	Previous PFRS	Effects of transition	New and Revised PFRS	Previous PFRS	Effects of transition	New and Revised PFRS
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	\$170,337	\$188,707	\$359,044	\$170,655	\$160,318	\$330,973
Dividends payable	21,849	—	21,849	9,687	—	9,687
Income tax payable	7,308	127	7,435	6,058	427	6,485
Due to related parties	145	(1)	144	6,930	2	6,932
Current portion of:						
Long -term debts	42,338	79,784	122,122	58,460	62,984	121,444
Derivative liabilities	—	2,081	2,081	2,546	—	2,546
Convertible bonds	72,578	—	72,578	—	—	—
Total Current Liabilities	314,555	270,698	585,253	254,336	223,731	478,067
Noncurrent Liabilities						
Long-term debts - net of current portion	878,314	1,285,672	2,163,986	746,762	1,282,896	2,029,658
Derivative liabilities - net of current portion	57,417	3,739	61,156	58,352	—	58,352
Retirement and other post-employment benefits	412	35,153	35,565	273	40,740	41,013
Deferred income tax liabilities - net	5,511	10,873	16,384	4,254	11,240	15,494
Other noncurrent liabilities	1,259	28,024	29,283	1,155	17,264	18,419
Convertible bonds - net of current portion	—	—	—	84,662	—	84,662
Total Noncurrent Liabilities	942,913	1,363,461	2,306,374	895,458	1,352,140	2,247,598
Total Liabilities	1,257,468	1,634,159	2,891,627	1,149,794	1,575,871	2,725,665
Equity Attributable to Equity Holders of the Parent Company						
Redeemable preferred stock	69,345	—	69,345	38,159	—	38,159
Common stock	74,715	—	74,715	74,701	—	74,701
Additional paid-in capital	1,052,180	—	1,052,180	801,148	—	801,148
Accumulated share in OCI of associates	(5,061)	5,061	—	(33,784)	33,784	—
Accumulated unrealized gain on AFS financial assets	—	647	647	—	871	871
Cumulative translation adjustments	(22,892)	85,812	62,920	(24,504)	5,223	(19,281)
Equity reserve	(248,780)	(108,429)	(357,209)	—	(66,759)	(66,759)
Retained earnings	574,412	(8,122)	566,290	423,454	(5,065)	418,389
Cost of common stock held in treasury	(57,429)	(1,806)	(59,235)	(52,987)	—	(52,987)
	1,436,490	(26,837)	1,409,653	1,226,187	(31,946)	1,194,241
Non-controlling Interests	—	412,241	412,241	180,630	337,512	518,142
Total Equity	1,436,490	385,404	1,821,894	1,406,817	305,566	1,712,383
TOTAL LIABILITIES AND EQUITY	\$2,693,958	\$2,019,563	\$4,713,521	\$2,556,611	\$1,881,437	\$4,438,048

Reconciliation of Income for the Years Ended December 31, 2012 and 2011

	2012			2011		
	Previous PFRS	Effects of Transition	New and Revised PFRS	Previous PFRS	Effects of Transition	New and Revised PFRS
REVENUES FROM SALE OF ELECTRICITY						
	\$1,391,744	\$668,485	\$2,060,229	\$1,340,625	\$566,553	\$1,907,178
EQUITY IN NET EARNINGS OF AN ASSOCIATE						
	124,524	(124,524)	—	4,970	(4,970)	—
COSTS OF SALE OF ELECTRICITY						
	(1,133,881)	(240,760)	(1,374,641)	(1,085,056)	(251,159)	(1,336,215)
GENERAL AND ADMINISTRATIVE EXPENSES						
	(62,058)	(113,525)	(175,583)	(51,188)	(106,757)	(157,945)
FINANCIAL INCOME (EXPENSES)						
Interest income	4,946	8,904	13,850	8,169	9,219	17,388
Interest expense and financing charges	(78,138)	(95,598)	(173,736)	(84,958)	(108,049)	(193,007)
	(73,192)	(86,694)	(159,886)	(76,789)	(98,830)	(175,619)
OTHER INCOME (CHARGES)						
Foreign exchange gains (losses) - net	(1,764)	25,509	23,745	(5,770)	(4,014)	(9,784)
Mark-to-market gain on derivatives - net	258	1	259	3,734	2,500	6,234
Others	4,155	(7,739)	(3,584)	5,655	(119,458)	(113,803)
	2,649	17,771	20,420	3,619	(120,972)	(117,353)
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS						
	249,786	120,753	370,539	136,181	(16,135)	120,046
PROVISION FOR (BENEFIT FROM) INCOME TAX						
Current	50,750	10,223	60,973	49,063	9,728	58,791
Deferred	(7,996)	5,850	(2,146)	508	(14,786)	(14,278)
	42,754	16,073	58,827	49,571	(5,058)	44,513
NET INCOME FROM CONTINUING OPERATIONS						
	207,032	104,680	311,712	86,610	(11,077)	75,533
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS						
	—	2,297	2,297	—	(1,875)	(1,875)
NET INCOME	\$207,032	\$106,977	\$314,009	\$86,610	(\$12,952)	\$73,658

(Forward)



	2012			2011		
	Previous PFRS	Effects of Transition	New and Revised PFRS	Previous PFRS	Effects of Transition	New and Revised PFRS
Attributable to:						
Equity holders of the Parent Company	\$186,071	\$3,763	\$189,834	\$35,021	\$110	\$35,131
Non-controlling interests	20,961	103,214	124,175	51,589	(13,062)	38,527
	\$207,032	\$106,977	\$314,009	\$86,610	(\$12,952)	\$73,658
Basic/ Diluted Earnings per Share for Net Income Attributable to the Equity Holders of the Parent Company	\$0.049	\$0.001	\$0.050	\$0.008	(\$0.000)	\$0.008

	2012			2011		
	Previous PFRS	Effects of Transition	New and Revised PFRS	Previous PFRS	Effects of Transition	New and Revised PFRS
NET INCOME	\$207,032	\$106,977	\$314,009	\$86,610	(\$12,952)	\$73,658
OTHER COMPREHENSIVE INCOME (LOSS):						
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>						
Exchange gains on foreign currency translation	362	113,740	114,102	53	472	525
Net gains (losses) on cash flow hedge - net of tax	1,738	(3,403)	(1,665)	(13,992)	—	(13,992)
Unrealized losses on AFS financial assets	—	(561)	(561)	—	(645)	(645)
	2,100	109,776	111,876	(13,939)	(173)	(14,112)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>						
Share in other comprehensive income (losses) of associates	28,723	(28,723)	—	(12,778)	12,778	—
Re-measurement of retirement and other post-employment benefits	—	(12,625)	(12,625)	—	(9,738)	(9,738)
Total comprehensive income (loss) - net of tax effect	30,823	68,428	99,251	(26,717)	2,867	(23,850)
TOTAL COMPREHENSIVE INCOME	\$237,855	\$175,405	\$413,260	\$59,893	(\$10,085)	\$49,808
Total comprehensive income attributable to:						
Equity holders of the Parent Company	\$216,406	\$48,585	\$264,991	\$14,048	\$8,949	\$22,997
Non-controlling interests	21,449	126,820	148,269	45,845	(19,034)	26,811
	\$237,855	\$175,405	\$413,260	\$59,893	(\$10,085)	\$49,808

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments), requires an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements) and are to be retrospectively applied. The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are set-off in accordance with PAS 32. The amendment requires entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a) The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the consolidated statement of financial position;
 - c) The net amounts presented in the consolidated statement of financial position;
 - d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including: (i) amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and (ii) amounts related to financial collateral (including cash collateral); and
 - e) The net amount after deducting the amounts in (d) from the amounts in (c) above.



The amendments affect disclosures only and have no impact on First Gen Group's financial position or performance.

- PFRS 11, *Joint Arrangements*, replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly-Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of PFRS 11 has no impact on the consolidated financial statements because First Gen Group has not entered into any joint arrangement as of December 31, 2013 and 2012.
- PFRS 12, *Disclosure of Interests in Other Entities*, includes all of the disclosure requirements related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. While First Gen Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. PFRS 12 disclosures are provided in Note 18.
- PFRS 13, *Fair Value Measurement*, establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The adoption of this standard does not have a significant impact on First Gen Group's financial position and performance.
- PAS 27, *Separate Financial Statements* (as revised in 2011), as a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The adoption of the amended PAS 27 has no significant impact on the separate financial statements of the entities in First Gen Group.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011), as a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the amended PAS 28 has no significant impact on the consolidated financial statements of First Gen Group.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The new interpretation is not relevant to First Gen Group.



Annual Improvements to PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to the following standards and are applied retrospectively:

- PFRS 1, *First-time Adoption of PFRSs - Borrowing Costs*, clarifies that, upon adoption of PFRSs, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRSs, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to First Gen Group as it is not a first-time adopter of PFRS.
- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*, clarifies the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on First Gen Group's financial position or performance.
- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*, clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on First Gen Group's financial position or performance.
- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*, clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment has no impact on First Gen Group's financial position or performance.
- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*, clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on First Gen Group's financial position or performance.

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 year ended December 31, 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 FGHC and Subsidiaries, FGP and FNPC (collectively referred to as First Gas Group) until May 30, 2012, and EDC and Subsidiaries.

Acquisition of non-controlling interests

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

As a result of this transaction, the total consideration was allocated to the other assets and liabilities of Bluespark based on the relative fair values of these assets and liabilities. The excess of the consideration paid over the relative fair values of assets and liabilities were then allocated to the acquisition of the 40% equity interest in First Gas Group, and the resulting difference was recognized directly in equity as “Equity reserve” account in the 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		
	2013	2012	2011
First Gen Renewables, Inc. (FGRI)	100	100	100
Unified Holdings Corporation (Unified)	100	100	100
AlliedGen Power Corp. (AlliedGen)	100	100	100
First Gen Luzon Power Corp. (FG Luzon)	100	100	100
First Gen Visayas Hydro Power Corporation (FG Visayas)	100	100	100
First Gen Mindanao Hydro Power Corporation (FG Mindanao)	100	100	100
First Gen Ecopower Solutions, Inc. [formerly First Gen Geothermal Power Corporation] (FG Ecopower)	100	100	100
First Gen Energy Solutions Inc. (FGES)	100	100	100
First Gen Premier Energy Corp. (FG Premier)	100	100	100
First Gen Prime Energy Corporation (FG Prime)	100	100	100
First Gen Visayas Energy, Inc. (FG Visayas Energy)	100	100	100
FG Bukidnon Power Corporation (FG Bukidnon) ¹	100	100	100
Northern Terracotta Power Corp. (Northern Terracotta)	100	100	100
Blue Vulcan ²	100	100	100
Prime Meridian Powergen Corporation (Prime Meridian) ³	100	100	100
Bluespark ⁷	100	100	—
Goldsilk ⁷	100	100	—
Dualcore ⁷	100	100	—
Onecore ⁷	100	100	—
FG Mindanao Renewables Corp. (FMRC) ^{8, 15}	100	100	—
FGen Northern Mindanao Holdings, Inc. (FNMHI) ^{9, 15}	100	100	—
FGen Tagoloan Hydro Corporation (FG Tagoloan) ^{10, 16}	100	100	—
FGen Tumalaong Hydro Corporation (FG Tumalaong) ^{11, 16}	100	100	—
FGen Puyo Hydro Corporation (FG Puyo) ^{12, 17}	100	100	—
FGen Bubunawan Hydro Corporation (FG Bubunawan) ^{13, 17}	100	100	—
FGen Cabadbaran Hydro Corporation (FG Cabadbaran) ^{14, 17}	100	100	—
FGHC ⁷	100	100	60
FGP ^{4, 7}	100	100	60
FNPC ^{5, 7}	100	100	60
First Gas Power Corporation (FGPC) ^{6, 7}	100	100	60
First Gas Pipeline Corporation (FG Pipeline) ^{6, 7}	100	100	60
FGLand Corporation (FG Land) ^{6, 7}	100	100	60
FGEN LNG Corporation (FGEN LNG) ¹⁸	100	—	—
First Gen LNG Holdings Corporation (LNG Holdings) ¹⁹	100	—	—
First Gen Meridian Holdings, Inc. (FGEN Meridian) ²⁰	100	—	—
Prime Terracota Holdings Corp. (Prime Terracota) ²¹	45	45	45
First Gen Hydro Power Corporation (FG Hydro) ^{21, 22}	40	40	40

¹Through FGRI

²On April 6, 2011, Blue Vulcan was incorporated and registered with the Philippine SEC.

³On August 8, 2011, Prime Meridian was incorporated and registered with the Philippine SEC.

⁴Through Unified

⁵Through AlliedGen

⁶Through FGHC

⁷On 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.

⁸On April 27, 2012, FMRC was incorporated and registered with the Philippine SEC.

⁹On April 11, 2012, FNMHI was incorporated and registered with the Philippine SEC.

¹⁰On August 23, 2012, FG Tagoloan was incorporated and registered with the Philippine SEC.

¹¹On August 17, 2012, FG Tumalaong was incorporated and registered with the Philippine SEC.

¹²On August 17, 2012, FG Puyo was incorporated and registered with the Philippine SEC.

¹³On August 17, 2012, FG Bubunawan was incorporated and registered with the Philippine SEC.

¹⁴On August 23, 2012, FG Cabadbaran was incorporated and registered with the Philippine SEC.

¹⁵Through FG Mindanao

¹⁶Through FMRC

¹⁷Through FNMHI

¹⁸On May 22, 2013, FGEN LNG was incorporated and registered with the Philippine SEC.

¹⁹On December 27, 2013, LNG Holdings was incorporated and registered with the Philippine SEC.

²⁰On December 27, 2013, FGEN Meridian was incorporated and registered with the Philippine SEC.

²¹As a result of the adoption of PFRS 10 effective January 1, 2013 (see Note 2).

²²As a result of the adoption of PFRS 10 effective January 1, 2013 (see Note 2). As of December 31, 2013, direct voting interest by the Parent Company in FG Hydro is 40% while its effective economic interest is 69.96% through Prime Terracota.



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

As of December 31, 2013, AlliedGen, FNPC, FG Luzon, FG Visayas, FG Mindanao, FG Geothermal, FG Premier, FG Prime, FG Visayas Energy, Northern Terracotta, Prime Meridian, FMRC, FNMHI, FG Tagoloan, FG Tumalaong, FG Puyo, FG Bubunawan, FG Cabadbaran, FGEN LNG, LNG Holdings, and FGEN Meridian have not started commercial operations.

As of December 31, 2012, AlliedGen, FNPC, FG Luzon, FG Visayas, FG Mindanao, FG Geothermal, FG Premier, FG Prime, FG Visayas Energy, Northern Terracotta, Prime Meridian, FMRC, FNMHI, FG Tagoloan, FG Tumalaong, FG Puyo, FG Bubunawan and FG Cabadbaran have not started commercial operations.

As of December 31, 2013 and 2012, Prime Terracotta's subsidiaries include the following companies:

	Percentage of Voting Interest	
	2013	2012
Red Vulcan	100	100
EDC	60	60
First Gen Hydro Power Corporation (FG Hydro)	60	60
EDC Drillco Corporation	60	60
EDC Geothermal Corp. (EGC)	60	60
Green Core Geothermal Inc. (GCGI)	60	60
Bac-Man Geothermal Inc. (BGI)	60	60
Unified Leyte Geothermal Energy Inc. (ULGEI)	60	60
Southern Negros Geothermal, Inc. (SNGI)	60	60
EDC Mindanao Geothermal, Inc. (EMGI)	60	60
Bac-Man Energy Development Corporation (BEDC)	60	60
Kayabon Geothermal, Inc. (KGI)	60	60
EDC Chile Limitada	60	60
EDC Wind Energy Holdings, Inc.	60	60
EDC Burgos Wind Power Corporation (EBWPC)	60	60
EDC Pagudpud Wind Power Corporation (EPWPC)	60	60
EDC Holdings International Limited (EHIL) ¹	60	60
Energy Development Corporation Hong Kong Limited (EDC HKL) ²	60	60
EDC Chile Holdings SPA ^{3,9}	60	60
EDC Geotermica Chile ^{3,9}	60	60
EDC Peru Holdings S.A.C. ^{4,9}	60	60
EDC Geotermica Peru S.A.C. ^{4,9}	60	60
EDC Quellaapacheta ^{5,9}	60	60
EDC Geotermica Del Sur S.A.C. ^{7,9}	60	—
EDC Energia Azul S.A.C. ^{7,9}	60	—
Geotermica Crucero Peru S.A.C. ^{8,9}	42	—
EDC Energía Perú S.A.C. ^{7,9}	60	—
Geotermica Tutupaca Norte Peru S.A.C. ^{8,9}	42	—
EDC Energía Geotérmica S.A.C. ^{7,9}	60	—
EDC Progreso Geotérmico Perú S.A.C. ^{7,9}	60	—
Geotermica Loriscota Peru S.A.C. ^{8,9}	42	—
EDC Energía Renovable Perú S.A.C. ^{7,9}	60	—
PT EDC Indonesia ^{6,9}	57	57
PT EDC Panas Bumi Indonesia ^{6,9}	57	57

¹Incorporated on August 17, 2011 in British Virgin Islands

²Incorporated on November 22, 2011 in Hong Kong

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

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

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

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

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

⁸Through EHIL and were incorporated in 2013

⁹Subsidiary of EDC HKL



As of December 31, 2013 and 2012, 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 by 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 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.



There are no financial assets at FVPL as of December 31, 2013 and 2012.

Classified under financial liabilities at FVPL are EDC's foreign currency forward contracts and foreign currency swap contracts as of December 31, 2013 and 2012 (see Notes 26 and 27). 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, 2013 and 2012.

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, 2013 and 2012 (see Notes 6, 7, 20, 26 and 27).

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, 2013 and 2012 (see Notes 9, 12, 26 and 27).

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 bonds are deferred and amortized using the effective interest method over the term of the loans and bonds. Debt issuance costs are included in the measurement of the related long-term debt and bonds payable 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, convertible bonds payable and long-term debts as of December 31, 2013 and 2012 (see Notes 13, 14, 15, 16, 17, 20, 26 and 27).

Derivative Financial Instruments and Hedge Accounting

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 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 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 swap and foreign currency forwards accounted for as cash flow hedges for its Philippine peso-denominated loans and Euro-denominated liabilities, respectively (see Notes 26 and 27).

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 26 and 27).

First Gen Group has no derivatives that are designated as fair value hedges as of December 31, 2013 and 2012.

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 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 financial 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

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 28(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.

Prepayments

Prepayments 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. Prepayments 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 is not control or joint control of those policies.

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

	Percentage of Voting Interest		
	2013	2012	2011
First Gen Northern Energy Corp. (FGNEC) ¹	33	33	33
Batang Private Power Corporation (BPPC) ²	37	37	37

¹The 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%.

²First 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, 2013 and 2012, 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
Production wells	10-40
Fluid Collection and Recycling System (FCRS)	13-20
Buildings, improvements and other structures	5-35
Exploration, machinery and equipment	2-25
Transportation equipment	5-10
Furniture, fixtures and office equipment	3-10
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 credited to or charged against current operations.

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.

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 has 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 is measured by reference to the fair value of the stock options at grant date. The fair value was determined using the Black-Scholes-Merton model, further details of which are provided in Note 19 to the consolidated financial statements. 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 is reflected as additional share dilution in the computation of earnings per share attributable to the equity holders of the Parent Company (see Note 25).

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 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 to 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.

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, when the stocks are issued at premium; otherwise such are expensed as incurred.

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.

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.



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.

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, Bluespark, Goldsilk, Dualcore and Onecore in 2013 and 2012, 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, 2013. 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.

Effective in 2014

- *Investment Entities* (Amendments to PFRS 10, PFRS 12 and PAS 27), provides an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the First Gen Group since none of the entities in the First Gen Group would qualify to be an investment entity under PFRS 10.
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments), clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on First Gen Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.



- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments), remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on First Gen Group's financial position or performance.
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments), provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. First Gen Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21), clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. First Gen Group does not expect that IFRIC 21 will have material financial impact on future financial statements.

Effective in 2015

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

Annual Improvements to PFRSs (2010-2012 cycle)

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

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



for which the acquisition date is on or after July 1, 2014. First Gen Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, requires entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on First Gen Group's financial position or performance.
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.
- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
 - b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on First Gen Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*, clarifies that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the First Gen Group's financial position or performance.



- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*, clarifies that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
 - b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

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

Annual Improvements to PFRSs (2011-2013 cycle)

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

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



No Mandatory Effectivity Date

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

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

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



Deferred Effectivity

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

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, Bluespark, 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. 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 28).



In the case of EDC, its PPAs and Steam Sales Agreements (SSAs) qualify as a lease on the basis that EDC sells all its outputs 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.

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 28).

c. *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).

d. *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 27).

e. *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 28 (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 impairment losses recognized for the years ended December 31, 2013, 2012 and 2011 amounted to \$0.6 million, \$1.0 million and \$2.9 million, respectively. The aggregate carrying amounts of the current and noncurrent receivables are carried at \$336.9 million and \$296.3 million as of December 31, 2013 and 2012, respectively (see Notes 7, 12 and 21).

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 period ended December 31, 2013. The aggregate carrying amounts of current and noncurrent AFS financial assets are carried at \$15.5 million and \$18.3 million as of December 31, 2013 and 2012, 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, 2013 and 2012 amounted to \$109.7 million and \$126.3 million, respectively (see Note 8). Provision for allowance for inventory obsolescence pertaining to spare parts and supplies amounted to \$2.9 million and \$3.9 million in 2013 and 2011, respectively, and reversal of allowance amounted to \$2.0 million in 2012 (see Notes 8 and 21).

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, 2013 and 2012, the amount of deferred income tax assets recognized in the consolidated statements of financial position amounted to \$60.7 million and \$73.5 million, respectively. First Gen Group also has deductible temporary differences, carryforward benefits of unused NOLCO and excess MCIT totaling \$141.7 million and \$123.8 million as of December 31, 2013 and 2012, respectively, for which no deferred income tax asset was recognized (see Note 24).

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 23.

As of December 31, 2013 and 2012, the net retirement and other post-employment benefits liabilities of First Gen Group amounted to \$40.5 million and \$34.4 million, respectively (see Note 23).



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's Northern Negros Geothermal Project (NNGP) assets were fully impaired. The recoverable amount of NNGP was determined based on a value-in-use calculation using the expected cash flow projections. The five-year cash flow projections of EDC used for impairment testing were based on the budget approved by the senior management. EDC used the Perpetuity Growth Model to determine the terminal value, which accounts for the value of free cash flows that continue in perpetuity beyond the five-year period projection, growing at an assumed constant rate. The assumed growth rate was 4% in 2011, which did not exceed the average annual demand growth of 6% in 2011 for the Visayas power industry market where the unit operates. The pre-tax discount rate used was 10.1% computed based on the CGU's weighted average cost of capital.

Based on the foregoing, First Gen Group recorded an impairment loss of \$115.4 million in 2011.

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, 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, the BOD of EDC approved in September 2012 the transfer of the components of the power plant to Nasulo site 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 March 19, 2014, certain NNGP assets have already been transferred from Northern Negros to Nasulo. However, management has assessed that the increase in the estimated service potential of these assets has not yet been established as the construction is still on-going and necessary testing activities are yet to be conducted to determine whether the assets would function in the new location as intended by management.



The aggregate carrying values of the non-financial assets amounted to \$2,259.8 million and \$2,230.3 million as of December 31, 2013 and 2012, respectively (see Notes 9, 10, 11 and 12).

On the other hand, EDC has recorded a provision for impairment of Input VAT of \$0.9 million (net of reversal of \$1.9 million), \$4.6 million, and \$6.5 million in 2013, 2012 and 2011, respectively (see Notes 12 and 21).

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, 2013. The carrying value of goodwill as of December 31, 2013 and 2012 amounted to \$1,084.7 million and \$1,172.4 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 2012 and 2011. As of December 31, 2013 and 2012, the carrying amount of capitalized exploration and evaluation costs amounted to \$53.6 million and \$39.1 million, respectively (see Note 12).

Intangible asset not yet available for use

First Gen Group's intangible asset not yet available for use as of December 31, 2012 pertains to the Burgos wind energy development costs. First Gen Group performs impairment review on this asset annually irrespective of whether there is any indication of impairment by comparing its carrying amount with its recoverable amount. This impairment review requires an estimation of the value-in-use of the CGUs to which the intangible asset would provide future cash flow. Estimating value-in-use requires First Gen Group to estimate the expected future cash flows from the CGUs and discounts such cash flows using weighted average cost of capital to calculate the present value of those future cash flows.

The recoverable amounts have been determined based on value-in-use calculation using cash flow projections based on financial projections by the Business Development Group of EDC covering a 20-year period, which is based on the shorter of the expected useful life of the turbines of 20 years and the existing 25-year service contract of the project (see Note 28). The pre-tax discount rate applied to cash flow projections was 8.4% in 2012.



Following are the key assumptions used:

- **Feed-in Tariff (FIT) Rate**
On July 27, 2012, the Energy Regulatory Commission (ERC) approved the initial FIT rates that shall apply to generation of electricity from renewable energy sources. Particularly, for wind energy, the approved FIT rate amounted to ₱8.5 per kWh. Accordingly, this new FIT rate was used in the impairment assessment of First Gen Group's wind energy project development costs. Prior to the issuance of the FIT rate, First Gen Group used a FIT rate of ₱10.4 per kWh in its 2011 value-in-use estimates.
- **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 weighted average cost of capital for the industry. 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.
- **Growth Rate**
First Gen Group used a 40% growth rate based on the Philippine Consumer Price Index (CPI) and 60% growth rate based on the change in dollar to Peso exchange rate. This is consistent with the Natural Resources and Environment Board's proposed annual FIT escalation rate. An annual 4% increase of CPI based on Philippine average inflation factor as of 2012 and a steady dollar to Peso exchange rate for conservatism was assumed.

No impairment loss on intangible asset not yet available for use was recognized in the 2012 consolidated financial statements. The carrying value of the intangible asset not yet available for use amounted to \$11.4 million as of December 31, 2012 (see Note 11). In 2013, such assets was presented as property, plant and equipment under the "Construction in progress" account (see Note 10).

- 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, 2013 and 2012 amounted to \$2,059.2 million and \$1,963.1 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, 2013 and 2012 amounted to \$142.1 million and \$178.3 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.

In 2009, with the conversion of its Geothermal Service Contracts (GSCs) to GRESCs, EDC has made a judgment that 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 28).

Asset retirement obligations amounted to \$16.1 million and \$13.3 million as of December 31, 2013 and 2012, respectively (see Note 17).

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 27 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 28 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. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

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, 2013, provisions for these liabilities amounting to \$3.6 million and \$11.1 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 17), respectively. Meanwhile, provisions for these liabilities as of December 31, 2012 amounting to \$7.8 million and \$4.5 million as part of "Others" in the Accounts payable and accrued expenses account (see Note 13) and "Others" in the Other noncurrent liabilities account (see Note 17), respectively. Interest on liability from litigation amounted to \$0.2 million for each of the three years in the period ended December 31, 2013 (see Note 22).

1. *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 shall be determined and any shortfall would be reimbursed to NPC. 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 28). 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, 2013 and 2012, EDC's estimated liability arising from shortfall generation amounted to \$5.9 million and \$10.5 million, respectively, are shown as part of "Others" in the Accounts payable and accrued expenses account (see Note 13).

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 years ended December 31, 2012 and 2011:

	2012	2011
Revenue	\$15,568	\$16,449
Cost of drilling services:		
Purchased services and utilities	(5,720)	(8,520)
Rental, insurances and taxes	(3,541)	(5,232)
Repairs and maintenance	(1,520)	(1,264)
Parts and supplies issued	(806)	(1,521)
Business related expenses	(85)	(853)

(Forward)



	2012	2011
Depreciation	(\$30)	(\$26)
Personnel costs	(7)	(404)
	(11,709)	(17,820)
General and administrative expenses:		
Depreciation	(420)	(411)
Purchased services and utilities	(63)	(116)
Parts and supplies issued	(41)	(71)
Personnel costs	(30)	(75)
Rental, insurances and taxes	(21)	(21)
Business related expenses	(14)	(27)
Repairs and maintenance	(3)	(14)
	(592)	(735)
Financial expense	–	(6)
Other income (charges):		
Foreign exchange gains	17	54
Others	(2)	(1)
	15	53
Income (loss) before income tax	3,282	(2,059)
Less: Provision for (benefit from) income tax - deferred	985	(184)
Net income (loss) from discontinued operations	\$2,297	(\$1,875)

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, which operates 12 geothermal steamfields in the five geothermal renewable service contract areas. As of December 31, 2013, the Parent Company has 9.9% direct economic interest and 40% indirect economic interest (through Prime Terracota) in EDC. The Parent Company has 45% voting interest in Prime Terracota, which in turn, has 60% voting interest in EDC through Red Vulcan;



- FG Hydro, which operates the 132 MW PAHEP/MAHEP, and where the Parent Company has a 40% direct economic interest and 69.96% effective economic interest as of December 31, 2013.

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 47.9% 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, 2013						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**
Segment revenue	\$955,502	\$337,178	\$548,687	\$59,269	\$5,239	(\$956)
Segment expenses	(782,801)	(264,030)	(296,559)	(10,510)	(23,246)	956
Segment results	172,701	73,148	252,128	48,759	(18,007)	—
Interest income	12,676	5,339	6,340	628	11,813	(27,663)
Interest expense and financing charges	(37,562)	(13,823)	(75,755)	(4,445)	(45,443)	27,663
Depreciation and amortization	(37,179)	(25,675)	(85,802)	(9,974)	(553)	—
Income (loss) before income tax	110,636	38,989	96,911	34,968	(52,190)	—
Provision for income tax	(35,507)	(14,703)	(9,957)	(210)	(1,342)	—
Net income (loss)	\$75,129	\$24,286	\$86,954	\$34,758	(\$53,532)	\$—

*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 (As Restated - Note 2)						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**
Segment revenue	\$913,460	\$477,323	\$623,992	\$112,007	\$961	(\$67,514)
Segment expenses	(729,189)	(382,831)	(292,272)	(13,702)	(21,772)	67,514
Segment results	184,271	94,492	331,720	98,305	(20,811)	—
Interest income	13,555	1,062	7,336	1,256	10,232	(19,591)
Interest expense and financing charges	(41,165)	(9,024)	(77,538)	(9,735)	(55,865)	19,591
Depreciation and amortization	(35,838)	(26,341)	(85,102)	(9,902)	(369)	—
Income (loss) before income tax	120,823	60,189	176,416	79,924	(66,813)	—
Income from discontinued operations	—	—	2,297	—	—	—
Benefit from (provision for) income tax	(30,144)	(10,389)	(16,684)	288	(1,898)	—
Net income (loss)	\$90,679	\$49,800	\$162,029	\$80,212	(\$68,711)	\$—

*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, 2011 (As Restated - Note 2)						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**
Segment revenue	\$889,599	\$449,877	\$510,995	\$55,558	\$1,149	\$-
Segment expenses	(705,860)	(354,358)	(380,254)	(8,377)	(10,944)	-
Segment results	183,739	95,519	130,741	47,181	(9,795)	-
Interest income	14,104	126	8,163	842	2,495	(8,342)
Interest expense and financing charges	(43,352)	(6,980)	(87,240)	(10,688)	(53,089)	8,342
Depreciation and amortization	(35,131)	(26,352)	(80,432)	(9,447)	(358)	-
Income (loss) before income tax	119,360	62,313	(28,768)	27,888	(60,747)	-
Loss from discontinued operations	-	-	(1,875)	-	-	-
Benefit from (provision for) income tax	(34,378)	(15,122)	2,826	127	2,034	-
Net income (loss)	\$84,982	\$47,191	(\$27,817)	\$28,015	(\$58,713)	\$-

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

*Pertains to EDC and subsidiaries' consolidated statement of income, 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, 2012 (As Restated - Note 2)						
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**
Current assets	\$300,504	\$186,687	\$427,035	\$48,359	\$309,588	(\$174,149)
Noncurrent assets	\$46,728	\$415,013	\$1,746,920	\$167,164	\$3,984,854	(\$3,245,182)
Total assets	\$847,232	\$601,700	\$2,173,955	\$215,523	\$4,294,442	(\$3,419,331)
Current liabilities	\$150,323	\$89,819	\$234,615	\$15,236	\$271,513	(\$176,253)
Noncurrent liabilities	\$433,329	\$398,008	\$1,118,118	\$95,876	\$1,300,135	(\$1,039,092)
Total liabilities	\$583,652	\$487,827	\$1,352,733	\$111,112	\$1,571,648	(\$1,215,345)

*Pertains to EDC and subsidiaries' consolidated statement of income, 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:

	2013	2012 (As restated - Note 2)
Cash on hand and in banks (see Notes 22, 26 and 27)	\$183,239	\$177,812
Short-term deposits (see Notes 22, 26 and 27)	\$687,014	\$455,199
	\$870,253	\$633,011

Cash and cash equivalents earn interest at the respective bank deposit rates ranging from 0.12% to 1.50% and 0.12% to 3.75% for the years ended December 31, 2013 and 2012, 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 2013, 2012 and 2011, total interest income earned amounted to \$8.9 million, \$10.8 million and \$11.5 million, respectively (see Note 22).



7. Receivables

This account consists of:

	2013	2012 (As restated - Note 2)
Trade (see Notes 26, 27 and 28)	\$323,130	\$287,086
Due from related parties (see Notes 20, 26 and 27)	2,840	2,673
Loans and notes receivables	2,814	1,461
Others (see Notes 20, 26 and 27)	8,116	5,010
	336,900	296,230
Less: Allowance for doubtful accounts	(2,053)	(1,842)
	\$334,847	\$294,388

Trade receivables are noninterest-bearing and are generally on 30-day credit term (in the case of FGPC and FGP), while the trade receivables of EDC are generally collectible in 30 to 60 days. Other receivables comprise mainly of receivables from employees, contractors and suppliers which are collectible upon demand (see Note 20).

The table below shows the rollforward analysis of the allowance for doubtful accounts on trade receivables:

	2013	2012
Balances at beginning of year	\$1,842	\$2,984
Provision for doubtful accounts (see Note 21)	368	749
Write-off	—	(2,028)
Recovery (see Note 21)	—	(22)
Foreign exchange adjustments	(157)	159
Balances at end of year	\$2,053	\$1,842

8. Inventories

This account consists of:

	2013	2012 (As Restated - Note 2)
At cost:		
Fuel inventories (Note 28)	\$45,869	\$49,443
Spare parts and supplies	63,756	76,114
In transit	88	774
	109,713	126,331
At NRV - Spare parts and supplies	10	8
	\$109,723	\$126,339

For FGP and FGPC, the amounts of fuel inventories recognized as expense are \$135.2 million in 2013, \$53.8 million in 2012 and \$54.3 million in 2011, which are recognized as part of the “Costs of sale of electricity” account in the consolidated statements of income (see Note 21).



Spare parts and supplies inventories include items that are carried at net realizable value amounting to \$9.9 million and \$8.0 million as of December 31, 2013 and 2012, respectively, and have a cost amounting to \$11.3 million and \$9.1 million, respectively.

Provision for impairment of parts and supplies inventories amounted to \$2.9 million and \$3.9 million in 2013 and 2011, respectively, and reversal amounted to \$2.0 million in 2012. Provision for (reversal of) impairment of parts and supplies inventories are shown as part of General and administrative expenses” account in the consolidated statements of income (see Note 21). The amount of inventory charged to expense amounted to \$22.4 million in 2013, \$22.7 million in 2012 and \$27.4 million in 2011 (see Notes 4 and 21). Details of parts and supplies inventories issued are as follows:

	2013	2012	2011
Costs of sale of electricity presented under “Others” account (Note 21)	\$18,696	\$18,200	\$21,293
General and administrative expenses (Note 21)	3,720	3,631	4,534
Discontinued drilling operations (Note 4)	–	847	1,592
	\$22,416	\$22,678	\$27,419

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:

	2013	2012 (As Restated - Note 2)
Prepaid expenses	\$27,406	\$24,664
Prepaid taxes	15,022	11,111
Input VAT	9,177	4,068
AFS financial assets (see Note 12)	7,700	3,224
Advances to contractors	1,511	981
Derivative assets (see Note 27)	321	6
Others (see Notes 26 and 27)	218	232
	\$61,355	\$44,286



Prepaid taxes consist mainly of tax credits that may be used in the future by the operating subsidiaries of First Gen Group. Prepaid expenses consist mainly of prepaid insurance and creditable withholding taxes. AFS financial assets consist of:

	2013	2012 (As Restated - Note 2)
Current - Quoted government debt securities (Notes 26 and 27)	\$7,700	\$3,224
Noncurrent (Notes 12, 26 and 27):		
Quoted equity securities (Note 12)	7,086	2,742
Quoted government debt securities	—	11,538
Unquoted equity securities	—	2
Investment in proprietary club membership shares	744	744
	7,830	15,026
Total	\$15,530	\$18,250

Quoted government debt securities consist of investments in Republic of the Philippines (ROP) bonds with maturities between 2013 and 2016 and interest rates ranging from 8.00% to 9.00% 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 or losses related to the foregoing investments, which are presented in the other comprehensive income, amounted to \$0.8 million, \$0.6 million and \$0.6 million in 2013, 2012 and 2011, 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 period 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:

	2013									
	Land	Power Plants, Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Fluid Collection and Recycling System (FCRS) and Production Wells	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Others	Construction in Progress	Total
Cost										
Balances at December 31, 2012, as previously reported	\$22,619	\$385,718	\$682,743	\$–	\$5,195	\$3,050	\$1,003	\$–	\$–	\$1,100,328
Impact of effectivity of PFRS 10	21,252	884,553	98,661	504,423	14,884	1,951	–	4,685	319,284	1,849,693
Balances at December 31, 2012, as restated	43,871	1,270,271	781,404	504,423	20,079	5,001	1,003	4,685	319,284	2,950,021
Additions	14,573	6,077	14,894	3,174	2,286	1,570	189	–	289,385	332,148
Retirements/write-off	–	(16,264)	(3,947)	–	(1,341)	(1,006)	–	(376)	–	(22,934)
Reclassifications/adjustments										
(Notes 12 and 28g)	(6)	38,862	114,062	66,058	10,985	669	–	(2,654)	(177,194)	50,782
Foreign exchange adjustments	(2,604)	(68,153)	(9,281)	(41,428)	(1,685)	(200)	(6)	(203)	(29,594)	(153,154)
Balances at December 31, 2013	55,834	1,230,793	897,132	532,227	30,324	6,034	1,186	1,452	401,881	3,156,863
Accumulated Depreciation, Amortization and Impairment										
Balances at December 31, 2012, as previously reported	–	145,405	442,801	–	4,406	1,692	955	–	–	595,259
Impact of effectivity of PFRS 10	421	216,912	30,149	117,402	10,184	445	–	1,728	14,394	391,635
Balances at December 31, 2012, as restated	421	362,317	472,950	117,402	14,590	2,137	955	1,728	14,394	986,894
Depreciation and amortization	–	62,586	60,535	14,748	3,063	836	3	–	–	141,771
Retirements/write-off	–	(4,087)	(3,766)	–	(1,137)	(231)	–	–	–	(9,221)
Reclassifications/adjustments	9	1,488	8,071	16,645	508	809	–	(1,681)	(14,001)	11,848
Foreign exchange adjustments	(32)	(18,791)	(3,007)	(10,397)	(876)	(95)	(6)	(47)	(393)	(33,644)
Balances at December 31, 2013	398	403,513	534,783	138,398	16,148	3,456	952	–	–	1,097,648
Net Book Value	\$55,436	\$827,280	\$362,349	\$393,829	\$14,176	\$2,578	\$234	\$1,452	\$401,881	\$2,059,215



2012 (As Restated - Note 2)

	Land	Power Plants, Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	FCRS and Production Wells	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Others	Construction in Progress	Total
Cost										
Balances at December 31, 2011, as previously reported	\$18,957	\$385,523	\$641,476	\$—	\$4,628	\$2,757	\$998	\$—	\$—	\$1,054,339
Impact of effectivity of PFRS 10	16,802	822,193	94,635	429,132	12,738	1,316	—	—	215,700	1,592,516
Balances at December 31, 2011, as restated	35,759	1,207,716	736,111	429,132	17,366	4,073	998	—	215,700	2,646,855
Additions	6,736	7,360	8,576	1,293	2,357	1,216	—	1,170	139,912	168,620
Retirements/write-off	—	(2)	(235)	—	(152)	(401)	—	(39)	—	(829)
Reclassifications/adjustments (Note 12)	—	(1,025)	30,568	43,324	(408)	—	—	3,401	(53,895)	21,965
Foreign exchange adjustments	1,376	56,222	6,384	30,674	916	113	5	153	17,567	113,410
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
Accumulated Depreciation, Amortization and Impairment										
Balances at December 31, 2011, as previously reported	—	134,259	392,659	—	4,145	1,453	946	—	—	533,462
Impact of effectivity of PFRS 10	394	157,608	28,678	93,367	5,886	182	—	—	13,478	299,593
Balances at December 31, 2011, as restated	394	291,867	421,337	93,367	10,031	1,635	946	—	13,478	833,055
Depreciation and amortization	—	60,756	56,253	17,111	4,682	849	4	1,659	—	141,314
Recovery of impairment - NNGP	—	(2)	(206)	—	(69)	(341)	—	—	—	(618)
Retirements/write-off	—	(1,499)	—	—	—	—	—	—	—	(1,499)
Reclassifications/adjustments	—	(1,147)	(6,378)	—	(589)	(31)	—	13	—	(8,132)
Foreign exchange adjustments	27	12,342	1,944	6,924	535	25	5	56	916	22,774
Balances at December 31, 2012	421	362,317	472,950	117,402	14,590	2,137	955	1,728	14,394	986,894
Net Book Value	\$43,450	\$907,954	\$308,454	\$387,021	\$5,489	\$2,864	\$48	\$2,957	\$304,890	\$1,963,127

Property, plant and equipment with net book values of \$312.8 million and \$309.0 million as of December 31, 2013 and 2012, respectively, have been pledged as security for long-term debt (see Note 16).

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 EDC's risk-adjusted rate. These costs, net of accumulated amortization, amounted to \$10.1 million and \$8.4 million as of December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, the provision for rehabilitation and restoration costs, shown as part of "Asset retirement obligations" in the "Other noncurrent liabilities" in the consolidated statements of financial position amounted to \$14.7 million and \$12.0 million, respectively (see Note 17).



Impact of Typhoon Yolanda

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.

In 2013, total rehabilitation costs capitalized as part of property, plant and equipment amounted to \$7.2 million while the costs of repairs and minor construction activities charged to expense amounted to \$0.06 million.

As of December 31, 2013, EDC is in the process of claiming compensation from its insurance companies for losses incurred due to Typhoon Yolanda on the basis of the replacement cost and it will be determined in accordance with the relevant insurance policies.

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 Bac-Man I power plant has two 55 MW generating units (Unit 1 and Unit 2) while Bac-Man II power plant has two 20 MW generating units (Cawayan or Unit 3, and Botong). EDC supplies the steam that fuels these power plants.

Problems with the equipment at both the Bac-Man I and Bac-Man II power plants required EDC to conduct a series of rehabilitation works since the acquisition of the plants in 2010. As of December 31, 2013, Unit 1 and Unit 2 were still under rehabilitation while Unit 3 commenced commercial operations on October 1, 2013.

In 2013 and 2012, EDC capitalized borrowing costs amounting to \$3.4 million and \$5.0 million from general borrowings using a capitalization rate of 6.43% and 6.15%, respectively.

Since 2011, testing procedures had been performed in preparation for planned commercial operations of the power plants. For the years ended December 31, 2013 and 2012, the revenue from electricity generated during the testing period amounting to \$33.2 million and \$12.3 million, respectively, were offset against the cost of property, plant and equipment.

Meanwhile, revenue 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.

Engineering, Procurement and Construction (EPC) Contract with Vestas

In March 2013, EDC entered into an agreement with Vestas of Denmark for the construction of the 87-MW wind farm in Burgos, Ilocos Norte. 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 Wind Systems 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 Wind Energy Service Contract (WESC) from exploration/pre-development stage to the development / commercial stage. Consequently, the wind energy project development costs amounting to \$11.1 million were reclassified into Property, plant and equipment under the "Construction in progress" account (see Note 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 16). As the proceeds of the bonds are used specifically for the construction of the Burgos wind project, EDC capitalized in the consolidated financial statements the actual borrowing costs incurred on the bonds amounting to \$3.3 million in 2013, net of investment income on temporary investment of the proceeds of the bonds.

Impairment Assessment of NNGP

Following the full impairment of the NNGP assets in 2011, the BOD of EDC approved in 2012 the transfer of the components of the power plant to Nasulo site in Southern Negros to utilize the remaining facilities and fixed assets of NNGP. In February 2012, EDC transferred the vacuum pumps from NNGP to the Palinpinon Power Plant owned by GCGL. 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, representing the net book value of the assets transferred had no impairment loss been previously recognized (see Note 21). As of December 31, 2013, certain NNGP assets have already been transferred from Northern Negros to Nasulo.

Depreciation and Amortization

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

	2013	2012 (As restated - Note 2)
Property, plant and equipment	\$141,771	\$141,314
Intangible assets (see Note 11)	17,412	16,688
	\$159,183	\$158,002

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Costs of sale of electricity (see Note 21)	\$149,296	\$148,046	\$145,093
General and administrative (see Note 21)	9,887	9,506	6,627
Discontinued drilling operations (see Note 4)	—	450	437
	\$159,183	\$158,002	\$152,157

Reclassifications

The reclassifications in the cost of property, plant and equipment include the capitalized depreciation charges amounting to \$3.9 million in 2013 and \$1.4 million in 2012 under construction in progress which primarily relates to ongoing drilling of wells.



11. Goodwill and Intangible Assets

Movements in the account are as follows:

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

	2012 (As Restated - Note 2)					Total
	Goodwill	Concession Rights for Contracts Acquired	Water Rights	Pipeline Rights	Other Intangible Asset	
Cost						
Balances at December 31, 2011, as previously reported	\$9,086	\$-	\$-	\$13,253	\$-	\$22,339
Impact of effectivity of PFRS 10	1,089,238	190,163	54,853	-	5,894	1,340,148
Balances at December 31, 2011, as restated	1,098,324	190,163	54,853	13,253	5,894	1,362,487
Additions	-	-	-	-	4,933	4,933
Foreign exchange adjustments	74,031	12,925	3,728	-	567	91,251
Balances at December 31, 2012	1,172,355	203,088	58,581	13,253	11,394	1,458,671
Accumulated Amortization						
Balances at December 31, 2011, as previously reported	-	-	-	5,571	-	5,571
Impact of effectivity of PFRS 10	-	68,568	11,245	-	-	79,813
Balances at December 31, 2011, as restated	-	68,568	11,245	5,571	-	85,384
Amortization (see Note 10)	-	13,819	2,267	602	-	16,688
Foreign exchange adjustments	-	5,128	841	-	-	5,969
Balances at December 31, 2012	-	87,515	14,353	6,173	-	108,041
Net Book Value	\$1,172,355	\$115,573	\$44,228	\$7,080	\$11,394	\$1,350,630

Goodwill

As of December 31, 2013 and 2012, the Parent Company's goodwill is allocated to the following CGUs (amounts in thousands):

Entity	Cash-generating Unit	2013	2012
Red Vulcan	EDC and Subsidiaries	\$1,018,519	\$1,101,514
FGHC	Santa Rita power plant complex	9,086	9,086
GCGI	Palinpinon and Tongonan power plant complex	50,495	54,610
FG Hydro	Pantabangan/Masiway hydroelectric power plants	6,607	7,145
Total		\$1,084,707	\$1,172,355



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, 2013 and 2012 are summarized as follows:

Entity	2013		2012	
	Pre-tax discount rates	Growth rates	Pre-tax discount rates	Growth rates
Red Vulcan	8.1%	3.7%	8.4%	4.4%
FGHC	11.6%	2.5%	9.6%	2.6%
GCGI	6.1% for Tongonan; 7.8% for Palinpinon	4.0%	8.8% for both Tongonan and Palinpinon	4.0%
FG Hydro	9.1%	4.0%	11.5%	4.4%

Key assumptions with respect to the calculation of value-in-use of the cash-generating units as of December 31, 2013 and 2012 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 financial statements in 2013, 2012 and 2011.

Concession Rights for Contracts Acquired

As a result of the purchase price allocation of Red Vulcan, an intangible asset was recognized pertaining to concession rights originating from contracts of EDC amounting to \$204.3 million (₱8,336.7 million). Such intangible asset pertains to the SSAs and PPAs of EDC. The identified intangible asset is amortized using the straight-line method over the remaining term of the existing contracts ranging from 1 to 17 years. The concession rights for contracts acquired have been valued based on the expected future cash flows using the Multiple Excess Earnings Method (MEEM) as of the date of acquisition. MEEM is the most commonly used approach in valuing customer-related assets, although it may be used to value other intangible assets as well. The asset value is estimated as the sum of the discounted future excess earnings attributable to the asset over the remaining project period. The average remaining amortization period of the intangible asset pertaining to the concession rights originating from contracts is 7.0 years as of December 31, 2013.



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 17.9 years as of December 31, 2013.

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 10.75 years as of December 31, 2013.

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:

	2013	2012 (As restated - Note 2)
Input VAT	\$94,331	\$105,204
Exploration and evaluation assets	53,627	39,077
Tax credit certificates	35,153	38,182
Prepaid major spare parts [see Note 28(g)]	16,693	68,392
AFS financial assets (see Notes 9, 26 and 27)	7,830	15,026
Derivative assets (see Notes 26 and 27)	4,166	—
Special deposits and funds [see Note 28(l)]	4,009	5,404
Prepaid expenses	3,500	2,096
Long-term receivables (see Notes 26 and 27)	2,004	1,935
Retirement assets (see Note 23)	—	1,166
Others	6,419	4,257
	227,732	280,739
Less: Allowance for doubtful accounts	(10,657)	(15,225)
	\$217,075	\$265,514

Input VAT

Input VAT includes the outstanding input VAT claims of \$34.1 million and \$30.4 million as of December 31, 2013 and 2012, respectively. Input VAT claims of \$23.3 million in 2011, \$5.8 million in 2010, \$3.0 million in 2008 and \$2.0 million in 2007 are still pending with the BIR/Court of Tax Appeals (CTA) as of December 31, 2013.



Exploration and Evaluation Assets

	2013	2012
Balances at beginning of year	\$39,077	\$24,797
Additions	32,028	12,183
Transfers to property, plant and equipment	(3)	—
Accumulated impairment	(13,621)	—
Foreign exchange adjustments	(3,854)	2,097
Balances at end of year	\$53,627	\$39,077

Details of exploration and evaluation assets per project are as follows:

	2013	2012
Rangas/Kayabon	\$29,137	\$11,650
Mindanao III	22,084	11,833
Dauin/Bacong	1,360	1,361
Cabalian	—	13,999
Others	1,046	234
	\$53,627	\$39,077

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 TCC 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 and \$3.4 million representing input VAT claims for 2009 and 2010, respectively. GCGI likewise received in 2013 TCC amounting to \$0.6 million pertaining to its 2010 input VAT refund.

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.

Prepaid Major Spare Parts

As of December 31, 2013 and 2012, prepaid major spare parts amounting to \$80.0 million and \$40.1 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).

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 26, 27 and 28).



Allowance for Doubtful Accounts

The rollforward analysis of the allowance for doubtful accounts pertaining to Input VAT and long-term receivables is presented below.

	2013			
	Input VAT	NPC	Others	Total
Balances at beginning of year	\$13,588	\$36	\$1,601	\$15,225
Provision for doubtful accounts (see Note 21)	2,723	—	196	2,919
Reversal (see Note 21)	(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

	2012			
	Input VAT	NPC	Others	Total
Balances at beginning of year	\$8,249	\$57	\$1,336	\$9,642
Provision for doubtful accounts (see Note 21)	4,622	—	202	4,824
Reversal (see Note 21)	—	—	(33)	(33)
Write-off	—	(24)	—	(24)
Foreign exchange differences	717	3	96	816
Balances at end of year	\$13,588	\$36	\$1,601	\$15,225
Specific impairment	\$8,037	\$36	\$1,594	\$9,667
Collective impairment	5,551	—	7	5,558
Total	\$13,588	\$36	\$1,601	\$15,225

13. Accounts Payable and Accrued Expenses

This account consists of:

	2013	2012 (As restated - Note 2)
Trade	\$256,629	\$267,396
Deferred output VAT	43,603	35,064
Accrued interest and financing costs	26,630	21,353
Withholding & other taxes payable	14,806	11,824
Output VAT	3,451	130
Royalty fee payable	894	502
Others	11,550	22,775
	\$357,563	\$359,044



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 activities. 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 28).

On May 8, 2012, upon execution of their respective Geothermal Operating Contracts with the DOE, GCGI and BGI also became subject to royalty fee of 1.5% of their gross income (see Note 28).

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 fee expense amounted to \$5.5 million, \$4.0 million and \$4.5 million for the years ended December 31, 2013, 2012 and 2011, 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 21).

“Other payables” account mainly includes EDC’s provision for shortfall generation and the portion of liabilities on regulatory assessments and other contingencies (see Note 3).

As of December 31, 2013 and 2012, EDC has unused credit facilities from various local banks equivalent to \$344.6 million (₱15.3 billion) and \$265.5 million (₱10.9 billion), respectively, which may be available for future operating activities.

14. Bonds Payable

Convertible Bonds (CBs)

On February 11, 2008, the Parent Company issued a \$260.0 million, U.S. Dollar-denominated CBs due on February 11, 2013 with a coupon rate of 2.50%. The CBs were listed on the Singapore Exchange Securities Trading Limited (SGX). 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 US\$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 that would have been issued upon conversion of the CBs) were not registered under the U.S. Securities Act of 1933, as amended, and subject to certain exceptions, were not offered or sold within 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 for 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 would represent a 7.25% gross yield to the Bondholder on a semi-annual basis. The equity conversion, call and put option features of the CBs were identified as embedded derivatives and were separated from the host contract (see Note 27). 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 equaled 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.

The Parent Company recorded a loss on the buyback of the CBs amounting to \$0.5 million and \$2.2 million included under "Interest expense and financing charges" account in the consolidated statements of income for the years ended December 31, 2012 and 2011, respectively (see Note 22).

As of December 31, 2013 and 2012, the carrying amount of the host contract was nil and \$72.6 million, respectively.

The movements in the account are as follows:

	2013	2012
Balances at beginning of year	\$72,578	\$84,662
Accretion for the year charged to the "Interest expense and financing charges" account (see Note 22)	394	4,335
Full settlement of convertible bonds	(72,972)	—
Buy back of convertible bonds	—	(16,419)
Balances at end of year	\$—	\$72,578

15. 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 118 days at the same rate. The proceeds were used to pay the liquid fuel purchased in September 2013.

On May 24, 2012, Blue Vulcan obtained a short-term loan amounting to \$25.0 million from Rizal Commercial Banking Corp (RCBC), which will mature within 180 days and with an interest rate of 3.5% per annum. On May 25, 2012, Blue Vulcan obtained another short-term loan amounting



to \$25.0 million from BDO Unibank Inc. (BDO), which will mature within 360 days and with an interest rate of 3.5% per annum. The proceeds were used in the acquisition of the non-controlling interests on May 30, 2012 (see Note 2). On September 11, 2012 and November 13, 2012, Blue Vulcan fully paid the \$50.0 million short-term loans from RCBC and BDO.

On June 28, 2012, FGP and FGPC each obtained a short-term loan amounting to \$9.8 million and \$19.0 million, respectively, from BTMU. The short-term loans had an interest rate of 1.61% per annum and the proceeds were used to augment the working capital requirements of FGP and FGPC. On October 5, 2012, FGP and FGPC fully settled their respective short-term loans plus interest.

16. Long-term Debts

This account consists of long-term debts of:

	2013	2012 (As Restated - Note 2)
EDC	\$1,230,742	\$1,091,349
First Gen	393,514	98,117
FGP	397,850	415,189
FGPC	366,008	407,346
Red Vulcan	140,430	170,575
FG Hydro	88,073	103,532
	2,616,617	2,286,108
Less current portion	124,473	122,122
	\$2,492,144	\$2,163,986

EDC

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

Creditor/Project	Maturities	Interest Rates	2013	2012
US\$300.0 Million Notes	January 20, 2021	6.5%	\$297,200	\$296,891
Peso Public Bonds				
▪ ₱8.5 billion	June 4, 2015	8.6418%	190,609	205,562
▪ ₱3.5 billion	December 4, 2016	9.3327%	78,270	84,474
International Finance Corporation (IFC)				
▪ IFC 1 - ₱4.1 billion	2012-2033	7.4% per annum for the first five years subject to repricing for another five to ten years	72,152	86,174
▪ IFC 2 - ₱3.3 billion	2013-2025	6.6570%	66,667	78,033
Fixed Rate Note Facility (FXCN)				
▪ ₱4.0 billion	2012-2022	6.6108%	87,646	95,650
▪ ₱3.0 billion	2012-2022	6.6173%	65,726	71,728
Refinanced Syndicated Term Loan				
▪ US\$175.0 million	June 27, 2017	LIBOR plus 1.75% margin	138,457	172,837
Fixed Rate Bond (FXR)				
▪ ₱4.0 billion	May 3, 2023	4.7312%	88,988	—
▪ ₱3.0 billion	May 3, 2020	4.1583%	66,767	—
US\$80 Million Term Loan	June 21, 2018	1.8% margin plus LIBOR	78,260	—
Total			1,230,742	1,091,349
Less current portion			34,510	50,033
Noncurrent portion			\$1,196,232	\$1,041,316



The long-term debts are presented net of unamortized debt issuance costs. A rollforward analysis of unamortized debt issuance costs is as follows:

	2013	2012
Balances at beginning of year	\$12,926	\$13,329
Additions during the year	4,012	2,360
Accretion during the year charged to “Interest expense and financing charges” account (see Note 22)	(2,414)	(2,481)
Debt issuance costs derecognized due to extinguishment of debt	–	(1,163)
Foreign exchange adjustments	(1,052)	881
Balances at end of year	\$13,472	\$12,926

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.

US\$80 Million Term Loan

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

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

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

FXR Bonds

On May 3, 2013, EDC issued to the public fixed rate bonds (the “FXR Bonds”) in an aggregate principal amount of \$162.0 million (₱7,000.0 million). The FXR bonds, which have been listed on the Philippine Dealing & Exchange Corp. (PDEX), are comprised of \$69.4 million (₱3,000.0 million) seven-year bonds at 4.1583% and \$92.6 million (₱4,000.0 million) 10-year bonds at 4.7312% due on May 3, 2020 and May 3, 2023, respectively. Interest is payable semi-annually starting November 3, 2013. Transaction costs incurred in connection with the issuance of the seven-year bonds and 10-year bonds amounted to \$0.9 million and \$1.2 million, respectively. The net proceeds of the FXR bonds will be used to partially fund the 87 MW Burgos Wind Project located in Burgos, Ilocos Norte (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 SGX.



Peso Public Bonds

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

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

IFC

EDC entered into a loan agreement with IFC, a shareholder of EDC, on November 27, 2008 for \$100.0 million or its Peso equivalent of ₱4.1 billion. On January 7, 2009, EDC opted to draw the loan in Peso. The loan is payable in 24 equal semi-annual installments after a three-year grace period at an interest rate of 7.4% per annum for the first five years subject to repricing for another 5 to 10 years. Under the loan agreement, EDC is restricted from creating liens and is subject to certain financial covenants.

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

Issuance of FXCN and Prepayment of FRCN

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

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

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 Australia and New Zealand Banking Group Limited-Manila Branch (ANZ), BTMU, Chinatrust (Philippines) Commercial Banking



Corporation, ING Bank N.V., Manila Branch, Maybank Group, Mizuho Corporate Bank, Ltd. (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 extinguished syndicated term loan had an interest rate of LIBOR plus a margin of 325 basis points. Loss on debt extinguishment amounting to \$4.6 million recognized as a result of the loan extinguishment is presented under “Others - net” in the 2011 consolidated statement of income.

Other Long-term Debts of EDC

On January 31, 2012, EDC fully settled its matured JP¥1.5 billion OECF 8th Yen loan amounting to ₱20.3 million.

On June 10, 2011, EDC prepaid the OECF 19th Yen loan balance of JP¥218.6 million (₱117.4 million) originally scheduled to mature in December 2024. Also, on June 17, 2011, EDC has fully settled its OECF 9th Yen loan of JP¥207.7 million (₱111.5 million).

On April 8, 2011, EDC prepaid the JP¥8.1 billion (₱4,260.6 million) 21st Yen loan with Japan International Cooperation Agency (JICA), a successor institution of the OECF (Japan). The 21st Yen loan is originally scheduled to mature in March 2027.

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, 2013 and 2012, EDC is in compliance with the loan covenants of all its outstanding debts.

Parent Company

\$300.0 Million Notes

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

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



redemption price equal to 106.5% of the principal amount of notes redeemed plus accrued and unpaid interest, with the net cash proceeds of certain equity offerings. Finally, at any time and from time to time after October 9, 2018, the Parent Company may on any one or more occasions redeem all or a part of the Notes at a specified redemption price (expressed in percentages of the principal amount) plus accrued and unpaid interest, if any, to (but not including) the date of redemption.

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

At inception, the loan was recorded net of debt issuance cost amounting to \$3.5 million. The movement of the unamortized debt issue costs account as of December 31, 2013 is as follows:

Balance at inception of the loan	\$3,547
Accretion during the year charged to the "Interest expense and financing charges" account (see Note 22)	(58)
<u>Balance at end of year</u>	<u>\$3,489</u>

\$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, 2013 and 2012, the Parent Company is in compliance with the terms of the Notes Facility Agreement.



As of December 31, 2013 and 2012, the unamortized debt issuance costs incurred amounted to \$1.5 million and \$1.9 million, respectively. The movement of the account is as follows:

	2013	2012
Balances at beginning of year	\$1,883	\$1,037
Accretion during the year charged to the “Interest expense and financing charges” account (see Note 22)	(386)	(364)
Debt issuance costs on the loan availments during the year (see Note 22)	–	1,210
Balances at end of year	\$1,497	\$1,883

\$142.0 Million Term Loan Facility

On September 3, 2010, the Parent Company, Allied Bank, BDO Unibank, BPI, Maybank Group, Mizuho, RCBC, Robinsons Bank Corporation, Security Bank, and Union Bank of the Philippines, (collectively referred to as “Term Loan Lenders”), and BDO Trust, as the Facility Agent, executed the Term Loan Facility Agreement granting the Parent Company a facility to borrow an aggregate principal amount of up to \$142.0 million. The Term Loan Facility was equally divided into two tranches, (i) Tranche A facility with a term of six years from initial drawdown date, and (ii) Tranche B facility with a term of seven years from initial drawdown date.

On January 21, 2011 (the “Initial Drawdown Date”), the Parent Company fully availed of the Term Loan Facility. The maturity of Tranche A and B were on January 23, 2017 and January 22, 2018, respectively. The loans had an interest equivalent to the six-month LIBOR plus a margin of 3.375% per annum, and were re-priced semi-annually. The Term Loan Facility imposed standard loan covenants on the Parent Company and required 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 Term Loan Facility were unsecured.

On November 15, 2012, the loan was fully prepaid for the total amount of \$143.9 million inclusive of interests amounting to \$1.9 million from the proceeds of the upstreamed advances of FGP. Until the prepayment of the Term Loan Facility on November 15, 2012, the Parent Company was in compliance with the covenants of Term Loan Facility.

At inception, the loan was recorded net of debt issuance cost amounting to \$2.0 million. As of December 31, 2012, the unamortized debt issuance costs incurred amounted to nil. The movement of the account is as follows:

Balance at beginning of year	\$1,743
Accretion during the year charged to the “Interest expense and financing charges” account (see Note 22)	(264)
Unamortized debt issuance costs charged directly to “Interest expense and financing charges” account (see Note 22)	(1,479)
Balance at end of year	\$–

BDO Facility

On May 11, 2010 (the Effective Date), the Parent Company signed a Facility Agreement (BDO Facility) with BDO Unibank, BDO Leasing & Finance, Inc. (BDO Leasing) and BDO Private Bank, Inc. (BDO), collectively referred to as “Lenders”, amounting to ₱3,750.0 million to partially refinance its outstanding indebtedness and other general corporate requirements. The loan had a term of 5 years and 1 day from the date of the initial advance to the Parent Company. However,



on November 21, 2012, the BDO Facility was fully prepaid from the proceeds of the upstreamed advances of FGP. Under the Facility, the Parent Company was allowed to borrow up to ₱3,750.0 million from the effective date of the Agreement, with further availability of up to 90 days from such date. The total facility amount could be drawn either in pesos or in U.S. Dollars or a combination of both currencies at the option of the Parent Company; provided, that the aggregate amount of advances in U.S. Dollars availed under the Facility totaled to \$72.2 million. The total facility amount was converted from pesos using the PDS closing rate on the Effective Date, which was ₱45.005 per \$1.00. Principal repayments started on November 12, 2012, with an amortization schedule until May 22, 2015. The BDO 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 2.0% per annum. While it was outstanding, the Parent Company elected to avail of the loans at a fixed rate.

In 2011, the Parent Company entered into a cross-currency swap agreement to mitigate foreign currency risk exposure from the funding of the principal and interest payments of its ₱500.0 million loan under the BDO Facility (see Note 27). On October 15, 2012, the Parent Company and ANZ agreed to terminate the cross-currency swap. This was in preparation for the prepayment of the BDO Facility on November 21, 2012. As a result of the early termination, the Parent Company received a payment amounting to \$0.8 million (₱33.2 million) from ANZ.

On November 21, 2012, the loan was fully prepaid for the total amount of \$86.9 million, inclusive of interests and taxes amounting to \$2.6 million. At inception, the loan was recorded net of debt issuance cost amounting to \$0.8 million (₱38.4 million).

As of December 31, 2012, the unamortized debt issuance costs incurred amounted to nil. The movement of the account is as follows:

Balance at beginning of year	\$587
Accretion during the year charged to the "Interest expense and financing charges" account (Note 22)	(150)
Unamortized debt issuance costs charged directly to "Interest expense and financing charges" account (see Note 22)	(443)
Foreign exchange adjustments	6
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	
			2013	2012
New 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	\$397,850	\$415,189
Total			397,850	415,189
Less current portion			17,353	17,339
Noncurrent portion			\$380,497	\$397,850

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), Philippine National Bank (PNB), RCBC, Union Bank of the Philippines, The Hongkong and Shanghai Banking Corporation Limited, and Security Bank Corporation (Security Bank). The proceeds will be used to repay in full the aggregate principal, accrued interests and



fees outstanding under the existing facilities, to fund the debt service reserve amount in the debt reserve account, to fund FGP's general and corporate working capital requirements, and to upstream the remaining balance to fund investments in other power projects.

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

With respect to the term loan facility, the interest rate is computed semi-annually, every June and December, using the six-month LIBOR floating benchmark rate plus 225 basis points, except for the first and the last interest periods wherein the benchmark rate will be the LIBOR 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.

As of December 31, 2013 and 2012, the unamortized debt issuance costs incurred in connection with FGP's long-term debts amounting to \$4.2 million and \$4.8 million, respectively, were deducted against the long-term debts for financial reporting purposes.

Movements of debt issuance costs are as follows:

	2013	2012
Balances at beginning of year	\$4,810	\$1,875
Debt issuance costs on the loan availment during the year	–	4,938
Accretion for the year charged to the "Interest expense and financing charges" account (see Note 22)	(660)	(823)
Unamortized debt issuance costs charged directly to "Interest expense and financing charges" account (see Note 22)	–	(1,180)
Balances at end of year	\$4,150	\$4,810

The covenants in the new term loan facility of FGP's financing agreement are limited to restrictions with respect to: change in corporate business; amendment of constituent documents; incurrence of other loans; granting of guarantees or right of set-off; maintenance of good, legal and valid title to the critical assets of the site free from all liens and encumbrances other than permitted liens; transactions with affiliates; and maintenance of specified debt service coverage ratio and debt to equity ratio. FGP's real and other properties and shares of stock are no longer mortgaged and pledged as part of security to the lenders. Instead, FGP covenants to its lenders that it shall not permit any indebtedness to be secured by or to benefit from any lien on the critical assets of the site except with the consent of the lenders. As of December 31, 2013 and 2012, 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	
			2013	2012
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	\$250,586	\$265,458
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 st to 5 th year, 3.75% on the 6 th to 7 th year and 3.90% on the succeeding years	Repayment to be made in various semi-annual installments from 2009 up to 2018	188,000	115,422	141,888
Total			366,008	407,346
Less current portion			36,172	32,713
Noncurrent portion			\$329,836	\$374,633

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 are subject to interest rate of 175 basis points over the average of the rate for the six months U.S. dollar deposits quoted by three reputable reference banks in the Philippines, provided however, that such interest rate shall in no case exceed 5.8%.

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

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

Bayerische Hypo-Und Vereinsbank AG (Hong Kong Branch) and Société Générale (Singapore Branch) assigned all of their rights and obligations under the common terms of the project financing facility agreement (Common Terms Agreement or CTA) and the Bank Facility Agreement up to a total amount of \$10.0 million (which is comprised of \$5.0 million principal amount of the Covered Facility and \$5.0 million principal amount of the Uncovered Facility) to



GE Capital Corporation, and the \$5.5 million principal amount of Uncovered Facility to Banco De Oro Unibank, Inc. (BDO Unibank), respectively. In 2012, Société Générale (Singapore Branch) assigned all of its rights and obligations under the CTA and the Bank Facility Agreement up to a total amount of \$19.9 million of principal amount of the Covered Facility to Allied Banking Corporation (Allied Bank).

However, the existing swap contracts (see Note 27) with Bayerische Hypo-Und Vereinsbank AG (Hong Kong Branch) and Société Générale (Singapore Branch) were not assigned.

As of December 31, 2013 and 2012, the unamortized debt issuance costs incurred in connection with FGPC's long-term debts amounting to \$6.5 million and \$8.2 million, respectively, were deducted against the long-term debts for financial reporting purposes.

Movements of debt issuance costs are as follows:

	2013	2012
Balances at beginning of year	\$8,209	\$10,043
Accretion for the year charged to the "Interest expense and financing charges" account (see Note 22)	(1,754)	(1,834)
Balances at end of year	\$6,455	\$8,209

The CTA of the FGPC financing facility contain covenants concerning restrictions with respect to, among others: maintenance of specified debt service coverage ratio; acquisition or disposition of major assets; pledging 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, 2013 and 2012, 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, 2013 and 2012, amounted to \$119.7 million and \$105.3 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 for EDC’s stake sale under an Omnibus Loan and Security Agreement (the “Staple Financing Agreement”). The Staple Financing was made available by a group of local lenders; namely, the Development Bank of the Philippines (DBP), BDO, and Land Bank of the Philippines (Land Bank) (collectively referred to as the “Staple Financing Lenders”) in relation to the sale of 60% of EDC’s issued and outstanding capital stock. The interest rate of the Secured Indebtedness is computed either using monthly, quarterly, or semi-annually at Red Vulcan’s option, using the Philippine Dealing System Treasury Fixing (PDST-F) benchmark rate plus the applicable interest margin, whichever is higher. Red Vulcan opted to use a semi-annual rate based on PDST-F. The staple financing was for a maximum term of 18 months from Drawdown Date.

As was set forth in the Staple Financing Agreement, Red Vulcan was obligated to comply with certain covenants with respect to, among others: maintenance of a specified debt-to-equity ratio; not make or permit any material change in the character of its or EDC’s business nor engage or allow EDC to engage in any business operation or activity other than those for which it is presently authorized by law; not dispose of all or substantially all of its and EDC’s assets and no material changes in the corporate structure or in the composition of its top-level management. In addition, Red Vulcan is restricted to declare or pay dividends (other than stock dividend) to its stockholders or partners without the consent of all Staple Financing Lenders. Red Vulcan was also restricted, except for permitted borrowings, to incur any long-term debts, increase its borrowings, or re-avail of existing facilities with other banks or financial institutions.

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

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

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

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, 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:

	2013	2012 (As restated - Note 2)
Balances at beginning of year	\$566	\$919
Additions during the year	832	—
Accretion during the year charged to “Interest expense and financing charges” account (see Note 22)	(413)	(402)
Foreign exchange adjustments	(64)	49
Balances at end of year	\$921	\$566

FG Hydro

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



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

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

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

FG Hydro is obligated to comply with certain covenants with respect to maintaining specified debt-to-equity and minimum debt service coverage ratios, as set forth in its loan covenant with creditors. As of December 31, 2013 and 2012, 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, 2013 and 2012, the unamortized debt issuance costs incurred both amounted to nil. The movement of debt issuance costs for the year ended December 31, 2012 is as follows:

Balance at beginning of year	\$1,489
Accretion during the year charged to "Interest expense and financing charges" account (see Note 22)	(308)
Unamortized debt issuance costs charged directly to "Others - net" account	(1,230)
Foreign exchange adjustments	49
Balance at end of year	\$-

Unified

On March 9, 2009, Unified signed an agreement for a three-year Corporate Note Facility (Note Facility) of up to ₱5.6 billion (Facility Amount) issued by a consortium of local banks; namely, BDO Unibank, PNB, RCBC, BDO Trust, and Robinsons Savings Bank, collectively referred to as "Lenders". The Note Facility was evidenced by a series of Notes, with a minimum principal amount of ₱100.0 million, and had an annual interest rate of 9.3769%. The maturity date was on March 9, 2012. The proceeds of the loan were advanced to the Parent Company, which in turn retired its existing short-term loans. Such Notes were offered pursuant to an exempt transaction under Section 10.1 of the SRC and thus, were not registered with the Philippine SEC.



On July 11, 2011, Unified fully prepaid the principal balance of the Note Facility for the total amount of \$123.9 million inclusive of interest and taxes amounting to \$5.8 million.

17. Other Noncurrent Liabilities

	2013	2012 (As Restated - Note 2)
Asset retirement obligations	\$16,084	\$13,282
Accrued sick and vacation leaves	8,738	8,107
Others	10,616	7,894
	\$35,438	\$29,283

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:

	2013	2012 (As restated - Note 2)
Balances at beginning of the year	\$13,282	\$10,434
Accretion for the year charged to "Interest expense and financing charges" account (see Note 22)	669	743
Effect of revision of estimate	3,243	1,393
Foreign exchange adjustments	(1,110)	712
Balances at end of year	\$16,084	\$13,282

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.

18. Equity

a. Capital Stock

Details and movements of the Parent Company’s capital stock are as follows:

	Number of Shares		
	2013	2012	2011
Redeemable preferred stock (Series “B”) - ₱0.50 par value			
Authorized	1,000,000,000	1,000,000,000	1,000,000,000
Issued	1,000,000,000	1,000,000,000	1,000,000,000
Redeemable preferred stock (Series “E”) - ₱0.50 par value			
Authorized	1,500,000,000	1,500,000,000	1,500,000,000
Issued	468,553,892	468,553,892	468,553,892
Redeemable preferred stock (Series “F”) - ₱10.00 par value			
Authorized	100,000,000	100,000,000	100,000,000
Issued:			
Balances at beginning of year	100,000,000	100,000,000	–
Issuance	–	–	100,000,000
Balances at end of year	100,000,000	100,000,000	100,000,000
Redeemable preferred stock (Series “G”) - ₱10.00 par value			
Authorized	135,000,000	135,000,000	–
Issued	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	3,642,777,188	3,642,204,468	3,642,021,060
Stocks issued under the stock option plan (see Note 19)	543,269	572,720	183,408
Balances at end of year	3,643,320,457	3,642,777,188	3,642,204,468

As of December 31, 2013, 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 12, 2010, a new two-year share buyback program was approved by the BOD of the Parent Company covering up to 300.0 million of the Parent Company’s common shares representing approximately 9% of the Parent Company’s total outstanding common shares. The two-year period commenced on June 1, 2010 and ended on May 31, 2012. 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 16, 2012, the BOD of the Parent Company approved the extension of the buy-back program for another two years from June 1, 2012 to May 31, 2014. There are no stocks purchased under the program from May 16, 2012 to March 19, 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 21, 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 "B" preferred stocks, cash dividends of two centavos (₱0.02) a share with record date of January 2, 2014 and payment date of January 27, 2014;
- For all outstanding Series "E" preferred stocks, cash dividends of one centavo (₱0.01) a share with record date of January 2, 2014 and payment date of January 27, 2014;
- For all outstanding Series "F" perpetual preferred stocks, cash dividends of four pesos (₱4.00) a share with record date of January 2, 2014 and payment date of January 27, 2014;



- For the 120.0 million Series “G” perpetual preferred stocks (consisting of 100.0 million shares that was issued by way of follow-on offering in May 2012 and 20.0 million shares that was topped-up by FPH), cash dividends of ₱3.8904 a share with record date of January 2, 2014 and payment date of January 27, 2014; and,
- For the 13.75 million Series “G” perpetual preferred stocks issued to FPH by way of private placement, cash dividends of ₱0.38904 a share with record date of January 2, 2014 and payment date of January 27, 2014.

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

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 with record date of July 3, 2013 and payment date of July 25, 2013;
- For the 120.0 million Series “G” perpetual preferred stocks (consisting of 100.0 million shares that was issued by way of follow-on offering in May 2012 and 20.0 million shares that was topped-up by FPH), cash dividends of ₱3.8904 a share with record date of July 3, 2013 and payment date of July 25, 2013; and,
- For the 13.75 million Series “G” perpetual preferred stocks issued to FPH by way of private placement, cash dividends of ₱0.38904 a share with record date of July 3, 2013 and payment date of July 25, 2013.

On November 21, 2012, the BOD of the Parent Company approved the declaration of cash dividends on its preferred stocks as follows:

- For all outstanding Series “B” preferred stocks, cash dividends of two centavos (₱0.02) a share with record date of January 2, 2013 and payment date of January 25, 2013;
- For all outstanding Series “E” preferred stocks, cash dividends of one centavo (₱0.01) a share with record date of January 2, 2013 and payment date of January 25, 2013;
- For all outstanding Series “F” perpetual preferred stocks, cash dividends of four pesos (₱4) a share with record date of January 2, 2013 and payment date of January 25, 2013;
- 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 with record date of January 2, 2013 and payment date of January 25, 2013; and,
- For the 13.75 million Series “G” perpetual preferred stocks issued to FPH by way of private placement, cash dividends of ₱0.38904 a share with record date of January 2, 2013 and payment date of January 25, 2013.



On June 15, 2012, the BOD of the Parent Company approved the declaration of cash dividends on its preferred stocks as follows:

- For all outstanding Series “F” perpetual preferred stocks, cash dividends of four pesos (₱4) a share or 8.0% a share with record date of June 29, 2012 and payment date of July 25, 2012;
- For the 100.0 million Series “G” perpetual preferred stocks that was issued by way of follow-on offering in May 2012, cash dividends of one peso and forty-seven centavos (₱1.47) a share or 7.7808% a share with record date of June 29, 2012 and payment date of July 25, 2012; and,
- For the 20.0 million Series “G” perpetual preferred stocks that was topped-up by FPH in May 2012, cash dividends of one peso and thirty-two centavos (₱1.32) a share or 7.7808% a share with record date of June 29, 2012 and payment date of July 25, 2012;
- For the 33.75 million Series “G” perpetual preferred stocks issued to FPH by way of private placement, cash dividends of thirteen centavos (₱0.13) a share or 3.27% a share with record date of June 29, 2012 and payment date of July 25, 2012.

On December 15, 2011, the BOD of the Parent Company approved the declaration of cash dividends on its preferred stocks as follows:

- For all outstanding Series “B” preferred stocks, cash dividends of two centavos (₱0.02) a share with record date of January 6, 2012 and payment date of January 25, 2012;
- For all outstanding Series “E” preferred stocks, 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 stocks, cash dividends of four pesos (₱4) 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.

On July 5, 2011, the BOD of the Parent Company approved the declaration of cash dividends of ₱0.01 a share amounting to \$0.1 million (₱4.7 million) to the Parent Company’s Series “E” preferred stockholders of record as of July 19, 2011 and the cash payment date of July 25, 2011.

On January 26, 2011, the BOD of the Parent Company approved the declaration of cumulative cash dividends amounting to \$1.8 million (₱77.8 million) to the Parent Company’s Series “B” preferred stockholders of record as of February 9, 2011 to be taken from the Parent Company’s unrestricted retained earnings.

As of December 31, 2013 and 2012, total unpaid cash dividends on preferred stocks declared amounting to \$20.2 million (₱896.9 million) and \$21.8 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 \$62.3 million and \$59.2 million as of December 31, 2013 and 2012, respectively; and (b) the undistributed net earnings of subsidiaries and associates amounting to \$220.5 million and \$184.1 million as of December 31, 2013 and 2012, 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:

	2013	2012 (As restated - Note 2)	2011
Balances at beginning of year	298,151,700	279,406,700	279,406,700
Common stocks acquired through market by subsidiaries during the year	10,100,000	18,745,000	–
Balances at end of year	308,251,700	298,151,700	279,406,700

There was no acquisition of the Parent Company's common and preferred stocks in 2011.

d. NCI

As discussed in Note 2, for the year ended December 31, 2013, the NCI 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 include profits or losses and net assets not held by the Parent Company in First Gas Group until May 30, 2012 and EDC and subsidiaries.

Financial information of subsidiaries that have material NCI interests are provided below:

	2013	2012
Proportion of equity interest held by NCI		
EDC and Subsidiaries	49.93%	49.50%
First Gas Group	–	40.00% until May 30, 2012
Accumulated balances of NCI		
EDC and Subsidiaries	\$379,852	\$412,241
First Gas Group	–	–
Total comprehensive income allocated to NCI		
EDC and Subsidiaries	\$7,160	\$126,820
First Gas Group	–	21,449

In 2013, 2012 and 2011, EDC declared and paid cash dividends to its non-controlling common stockholders amounting to \$35.6 million (₱1,506.3 million), \$31.6 million (₱1,329.3 million) and \$38.3 million (₱1,672.6 million), respectively.

In 2012 and 2011, dividends paid by First Gas Group to non-controlling shareholder amounted to nil and \$23.9 million, respectively.



Following are the summarized financial information of EDC and Subsidiaries (amounts in thousands):

Consolidated Statements of Financial Position as of December 31, 2013 and 2012

	2013		2012	
	In USD	In Php	In USD	In Php
Current assets	\$548,268	₱24,340,366	\$479,893	₱19,699,593
Non-current assets	1,816,987	80,665,138	1,818,649	74,655,541
Total Assets	\$2,365,255	₱105,005,504	\$2,298,542	₱94,355,134
Current liabilities	\$200,651	₱8,907,923	\$249,687	₱10,249,613
Non-current liabilities	1,348,184	59,852,622	1,203,339	49,397,083
Total Liabilities	1,548,835	68,760,545	1,453,026	59,646,696
Total Equity	816,420	36,244,959	845,516	34,708,438
Total Liabilities and Equity	\$2,365,255	₱105,005,504	\$2,298,542	₱94,355,134

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2013, 2012 and 2011

	2013		2012		2011	
	In USD	In Php	In USD	In Php	In USD	In Php
Revenues from sale of electricity	\$607,956	₱25,656,270	\$668,485	₱28,368,552	\$566,298	₱24,539,607
Costs of sale of electricity	(223,582)	(9,435,355)	(231,502)	(9,824,274)	(243,708)	(10,560,692)
General and administrative expenses	(102,656)	(4,332,188)	(110,820)	(4,702,876)	(107,565)	(4,661,158)
Financial income (expenses)	(73,232)	(3,090,452)	(78,681)	(3,339,007)	(85,761)	(3,716,304)
Other income (charges)	(63,606)	(2,684,222)	21,014	891,753	(115,677)	(5,012,661)
Income before income tax from continuing operations	144,880	6,114,053	268,496	11,394,148	13,587	588,792
Benefit from (provision for) income tax	(11,516)	(485,983)	(18,265)	(775,123)	2,649	114,783
Net income from continuing operations	133,364	5,628,070	250,231	10,619,025	16,236	703,575
Net income (loss) from discontinued operations	—	—	2,297	97,495	(1,875)	(81,238)
Net income	133,364	5,628,070	252,528	10,716,520	14,361	622,337
Other comprehensive loss	(3,429)	(144,724)	(12,398)	(526,119)	(10,208)	(442,332)
Total comprehensive income	\$129,935	₱5,483,346	\$240,130	₱10,190,401	\$4,153	₱180,005

Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011

	2013		2012		2011	
	In USD	In Php	In USD	In Php	In USD	In Php
Operating	\$342,097	₱14,436,762	\$394,127	₱16,725,585	\$321,017	₱13,910,781
Financing	(249,188)	(10,515,962)	(192,032)	(8,149,291)	(242,771)	(10,520,083)
Investing	16,185	683,020	(227,288)	(9,645,421)	67,378	2,919,705
Net increase (decrease) in cash and cash equivalents	\$109,094	₱4,603,820	(\$25,193)	(₱1,069,127)	\$145,624	₱6,310,403

e. Cumulative Translation Adjustments

The details of cumulative translation adjustments as of December 31 are as follows:

	2013	2012 (As restated - Note 2)
Net losses on cash flow hedge - net of tax (see Note 27)	(\$5,499)	(\$24,563)
Foreign exchange adjustments	(14,410)	87,483
	(\$19,909)	\$62,920



The movements in the cumulative translation adjustments for the year ended December 31 are as follows:

	2013	2012 (As Restated - Note 2)
Balances at beginning of year	\$62,920	(\$19,281)
Net gains (losses) on cash flow hedge - net of tax (see Note 27)	19,064	(9,615)
Foreign exchange adjustments	(101,893)	91,816
Balances at end of year	(\$19,909)	\$62,920

19. 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 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.

Movements in the number of stock options granted under ESOP are as follows:

	Number of Shares		
	2013	2012	2011
Balances at beginning of year	616,907	1,189,627	1,373,035
Exercised during the year	(543,269)	(572,720)	(183,408)
Forfeited during the year	(73,638)	—	—
Balances at end of year	—	616,907	1,189,627
Exercisable at end of year	—	616,907	1,189,627



The weighted average stock prices at the dates of options exercise were ₱19.67 per share, ₱17.28 per share, and ₱13.68 per share in 2013, 2012 and 2011, respectively.

The contractual life of the stock options has ended on July 1, 2013. There were no ESOP granted in 2013, 2012 and 2011. All ESOP previously granted had already vested. No further grants/awards have been made under the ESOP.

The fair value of the stock options was estimated as at grant date (July 2003) using the Black Scholes-Merton model, taking into account the terms and conditions upon which the options were granted. The following lists the inputs to the model used to value the stock options at grant date:

Dividend yield	25.68%
Expected volatility	47.55%
Risk-free interest rate	8.56% to 11.00%
Expected life of option (years)	2.5 to 5.0
Weighted average stock price*	₱1,147

**Before adjustment resulting from common stock split and common stock dividends*

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility assumes that the historical volatility is indicative of future trends, which likewise, may not necessarily be the actual outcome. No other features of options grant were incorporated into the measurement of the fair value of the option.

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, 2013, 2012 and 2011, no award or sale of stocks under the ESPP has been granted to any employee.

20. Related Party Transactions

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

The following are the significant transactions with related parties:

- a. Due to related parties represent noninterest-bearing U.S. dollar and Philippine peso-denominated emergency loans to meet working capital and investment requirements of certain entities in the Lopez Group.



- b. First Gen Group leases its office premises, where its corporate offices are located, from First Philippine Realty Corporation (FPRC), a subsidiary of FPH [(see Note 28(l)]. Total rent expense included under “Others” in the “General and administrative expenses” account in the consolidated statements of income amounted to \$0.5 million in 2013, \$0.4 million in 2012 and \$0.3 million in 2011 (see Note 21).
- 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. IFC is a shareholder of EDC that has approximately 5% ownership interest in EDC. On May 20, 2011, EDC signed a 15-year \$75.0 million loan facility with IFC. The loan was drawn in Peso on September 30, 2011, amounting ₱3,262.5 million. As of December 31, 2013 and 2012, the outstanding balance of the loan amounting to \$66.7 million and \$78.0 million, respectively, is included under the “Long-term debts” account in the consolidated statements of financial position (see Note 16).

On November 27, 2008, EDC entered into a loan agreement with IFC for \$100.0 million or its Peso equivalent of ₱4.1 billion. On January 7, 2009, EDC opted to draw the loan in Peso and received the proceeds amounting to ₱4,048.8 million, net of ₱51.3 million front-end fee. As of December 31, 2013 and 2012, the outstanding balance of the loans amounted to \$72.2 million and \$86.2 million, respectively. This loan is included under the “Long-term debts” account in the consolidated statements of financial position (see Note 16).

- e. Following the usual bidding process in 2010, EDC awarded to First Balfour a procurement contract for various works such as civil, structural and mechanical/ piping works in EDC’s geothermal power plants. EDC also engaged the services of Thermaprime Well Services, Inc. (Thermaprime), a subsidiary of First Balfour, for the drilling services such as, but not limited to, rig operations, rig maintenance, well design and engineering. As of December 31, 2013 and 2012, the outstanding balances of EDC’s payables to First Balfour and Thermaprime totaled to \$5.2 million and \$6.0 million, respectively, recorded under “Accounts payable and accrued expenses” account in the consolidated financial statements (see Note 13).

First Balfour is a wholly owned subsidiary of FPH.

- f. 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.

g. Compensation of key management personnel are as follows:

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Other short-term employee benefits	\$18,246	\$14,713	\$11,194
Retirement benefits (see Note 23)	1,676	1,082	593
Share-based payments of EDC	281	583	203
	\$20,203	\$16,378	\$11,990

Terms and Conditions of Transactions with Related Parties. Except for the \$80.0 million letters of credit issued by EDC in favor of EDC Chile Limitada as mentioned above, there have been no guarantees provided for or received from any other related party in 2013 and 2012. 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	2013	2012 (As restated - Note 2)	2013	2012 (As restated - Note 2)
Due from related parties (see Note 7)						
FPIC	Interest-free advances	Unsecured & payable by demand	(\$64)	\$71	\$777	\$841
Lopez Inc. Retirement Fund (LIRF)	Interest-free advances	- do -	77	98	451	374
FGNEC	Interest-free advances	- do -	(10)	20	200	210
Quialex Realty Corporation (QRC)	Interest-free advances	- do -	26	58	185	159
Others	Interest-free advances	- do -	138	541	1,227	1,089
			\$167	\$788	\$2,840	\$2,673
Due to related parties						
FGHC International Ltd.*	Interest-free advances	Unsecured & payable by demand	\$-	\$-	\$145	\$145
LHC	Donation to Lopez Museum	- do -	114	-	113	-
Others	Interest-free advances	- do -	-	(436)	-	(1)
			\$114	(436)	\$258	\$144

No impairment loss was recognized on the amounts due from related parties for the years ended December 31, 2013, 2012 and 2011. 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.



21. Costs and Expenses

Costs of Sale of Electricity

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Fuel cost	\$969,778	\$1,043,913	\$988,040
Power plant operations and maintenance	151,520	151,862	169,490
Depreciation and amortization (Notes 10 and 11)	149,296	148,046	145,093
Others	30,721	30,820	33,592
	\$1,301,315	\$1,374,641	\$1,336,215

General and Administrative Expenses

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Staff costs	\$52,545	\$54,038	\$48,574
Professional fees	45,146	36,782	32,530
Insurance, taxes and licenses	34,683	48,896	34,695
Depreciation and amortization (Notes 10 and 11)	9,887	9,506	6,627
Parts and supplies issued (Note 8)	3,720	3,631	4,534
Repairs and maintenance	3,174	1,418	1,856
Provision for (reversal of) impairment of parts and supplies inventories (Notes 8 and 10)	2,915	(1,968)	3,899
Provision for doubtful accounts - net of recovery (Notes 7 and 12)	1,421	5,518	9,429
Others	15,725	17,762	15,801
	\$169,216	\$175,583	\$157,945

22. Financial Income (Expense)

Interest Income

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Cash and cash equivalents (see Note 6)	\$8,892	\$10,816	\$11,502
Advances to a non-controlling shareholder (see Note 2)	—	2,886	5,561
Others	241	148	325
	\$9,133	\$13,850	\$17,388



Interest Expense and Financing Charges

	2013	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)
Interest on:			
Loans and bonds	\$127,927	\$147,507	\$162,159
Swap fees	14,899	14,844	17,126
Liability from litigation	185	203	180
Accretion on:			
Debt issuance costs (see Note 16)	5,685	9,728	9,143
Asset retirement obligation (see Note 17)	669	743	1,496
“Day 1” gain	–	258	723
Pre-termination of loans and bonds	–	453	2,180
	\$149,365	\$173,736	\$193,007

23. 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:

	2013	2012
Net retirement assets (see Note 12)	\$–	\$1,166
Net retirement and other post-employment benefits liabilities	(40,469)	(35,565)

Net retirement assets are included in the “Other noncurrent assets” account (see Note 12) while the net retirement and other post-employment benefits 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.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2013, First Gen Group adopted the revised PAS 19 in respect of accounting for its employee benefits. Accordingly, the related disclosures on retirement and other post-employment benefits for 2012 and 2011 have been revised to reflect the requirements of the revised accounting standard.



The amounts recognized in the consolidated statements of financial position are as follows:

December 31, 2013

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Present value of defined benefit obligation	\$6,135	\$6,110	\$5,560	\$2,452	\$85,987	\$239	\$106,483
Fair value of plan assets	(5,887)	(4,234)	(5,489)	(1,827)	(48,627)	—	(66,064)
	248	1,876	71	625	37,360	239	40,419
Benefits paid	47	6	—	—	—	—	53
Foreign exchange adjustments	(2)	(1)	—	—	—	—	(3)
Net retirement liabilities	\$293	\$1,881	\$71	\$625	\$37,360	\$239	\$40,469

December 31, 2012 (As restated - Note 2)

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Present value of defined benefit obligation	\$6,287	\$6,368	\$5,548	\$2,563	\$79,935	\$195	\$100,896
Fair value of plan assets	(6,371)	(6,565)	(6,433)	(2,204)	(44,924)	—	(66,497)
Net retirement liabilities (assets)	(\$84)	(\$197)	(\$885)	\$359	\$35,011	\$195	\$34,399

The amounts recognized in the consolidated statements of income are as follows:

December 31, 2013

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Current service cost	\$1,242	\$620	\$582	\$169	\$5,124	\$36	\$7,773
Net interest	(28)	(10)	(46)	17	1,705	12	1,650
Retirement benefits expense	\$1,214	\$610	\$536	\$186	\$6,829	\$48	\$9,423

December 31, 2012 (As restated - Note 2)

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Current service cost	\$680	\$453	\$355	\$122	\$5,311	\$41	\$6,962
Net interest	(93)	(7)	(68)	14	2,357	7	2,210
Settlement gain	—	—	—	—	(17,742)	—	(17,742)
Retirement benefits expense (income)	\$587	\$446	\$287	\$136	(\$10,074)	\$48	(\$8,570)

December 31, 2011 (As restated - Note 2)

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Current service cost	\$443	\$388	\$307	\$125	\$4,736	\$12	\$6,011
Net interest	42	25	49	18	2,237	5	2,376
Settlement gain	—	—	—	—	(6,128)	—	(6,128)
Retirement benefits expense	\$485	\$413	\$356	\$143	\$845	\$17	\$2,259



Movements in the present value of the defined benefit obligation are as follows:

December 31, 2013

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Balances at beginning of year	\$6,287	\$6,368	\$5,548	\$2,563	\$79,935	\$195	\$100,896
Current service cost	1,242	620	582	169	5,124	36	7,773
Interest cost	320	325	288	123	3,890	12	4,958
Benefits paid	(47)	(6)	—	—	(470)	—	(523)
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	(491)	(491)	(440)	(197)	(6,651)	(18)	(8,288)
Balances at end of year	\$6,135	\$6,110	\$5,560	\$2,452	\$85,987	\$239	\$106,483

December 31, 2012 (As restated - Note 2)

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Balances at beginning of year	\$2,622	\$4,139	\$2,945	\$1,689	\$85,835	\$65	\$97,295
Current service cost	680	453	355	122	5,311	41	6,962
Interest cost	234	323	259	134	5,022	7	5,979
Benefits paid	—	—	(4)	—	(1,462)	—	(1,466)
Settlement benefit payments	—	—	—	—	(16,057)	—	(16,057)
Actuarial losses (gains) due to:							
Experience adjustments	682	(72)	(56)	(19)	8,092	14	8,641
Changes in demographic assumptions	7	6	(9)	—	(25)	(4)	(25)
Changes in financial assumptions	1,770	1,174	1,779	497	5,510	63	10,793
Curtailment gain	—	—	—	—	(17,742)	—	(17,742)
Foreign exchange adjustments	292	345	279	140	5,451	9	6,516
Balances at end of year	\$6,287	\$6,368	\$5,548	\$2,563	\$79,935	\$195	\$100,896

Movements in the fair value of plan assets are as follows:

December 31, 2013

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Balances at beginning of year	\$6,371	\$6,565	\$6,433	\$2,204	\$44,924	\$—	\$66,497
Interest income	348	335	335	106	2,185	—	3,309
Return on plan assets, excluding interest income	(352)	(2,267)	(818)	(328)	910	—	(2,855)
Contributions paid	—	—	—	—	4,795	—	4,795
Benefits paid	—	—	—	—	(434)	—	(434)
Foreign exchange adjustments	(480)	(399)	(461)	(155)	(3,753)	—	(5,248)
Balances at end of year	\$5,887	\$4,234	\$5,489	\$1,827	\$48,627	\$—	\$66,064
Actual return on plan assets	(\$4)	(\$1,932)	(\$484)	(\$222)	\$3,096	\$—	\$454



December 31, 2012 (As restated - Note 2)

	First Gen	FGPC	FGP	FGHC	EDC & Subsidiaries	Others	Total
Balances at beginning of year	\$2,472	\$4,232	\$2,510	\$1,498	\$45,663	\$-	\$56,375
Interest income	327	330	327	120	2,665	-	3,769
Return on plan assets, excluding interest income	650	1,296	631	287	2,856	-	5,720
Contributions paid	2,632	323	2,675	177	8,281	-	14,088
Benefits paid	-	-	(4)	-	(1,462)	-	(1,466)
Settlement benefit payments	-	-	-	-	(16,057)	-	(16,057)
Foreign exchange adjustments	290	384	294	122	2,978	-	4,068
Balances at end of year	\$6,371	\$6,565	\$6,433	\$2,204	\$44,924	\$-	\$66,497
Actual return on plan assets	\$977	\$1,626	\$958	\$407	\$5,521	\$-	\$9,489

The First Gen Group expects to contribute \$6.2 million to its defined benefit retirement plan in 2014.

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, 2013 and 2012 are as follows:

	2013	2012
Investments quoted in active market		
Quoted equity investments		
Industrial - electricity, energy, power and water	\$13,073	\$14,690
Holding firms	5,954	1,020
Financials - banks	3,477	1,985
Property	2,008	9,813
Industrial - food, beverage, and tobacco	1,144	94
Services - telecommunications	854	315
Transportation services	641	159
Retail	380	64
Industrial - construction, infrastructure allied services	345	99
Services - casinos and gaming	77	105
	27,953	\$28,344
Investments in debt instruments		
Government securities	10,283	27,890
Investments in corporate bonds	14,669	6,322
	24,952	34,212
Investment in mutual funds	203	578
	25,155	34,790
Unquoted investments		
Cash and cash equivalents	12,141	2,618
Receivables and other assets	839	863
Liabilities	(24)	(118)
	12,956	3,363
Fair value of plan assets	\$66,064	\$66,497



- 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 4.6% to 7.25% and have maturities from 2014 to 2023;
- Investments in government securities, consisting of retail treasury bonds that bear interest ranging from 2.62% to 11.70% and have maturities from 2014 to 2037; and
- Investment in equity securities consist of investments in the following securities:

	Relationship	2013	2012
LHC	Intermediate parent company	\$1,802	\$–
FPH:	Parent company		
Voting common shares		1,526	2,358
Non-voting preferred shares		–	609
First Gen:	Reporting entity		
Voting common shares		3,316	4,433
Non-voting preferred shares		6,977	6,924
ABS-CBN Holdings Corporation (ABS-CBN)	Affiliate	253	–
Rockwell Land Corp. (Rockwell)	Affiliate	–	9,528
		\$13,874	\$23,852

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, 2013, unrealized gains 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.

For the year ended December 31, 2012, unrealized gains arising from investments in FPH, First Gen and Rockwell amounted to \$0.6 million, \$1.7 million and \$1.6 million, respectively.

The details of the realized gains for the year ended December 31, 2013 are as follows:

Type of security:	First Gen	FGPC	FGP	FGHC
Investment in shares of stock	\$244	\$74	\$251	\$111
Investment in government securities	113	44	75	41
Investment in corporate debt instruments	12	6	–	14
	\$369	\$124	\$326	\$166

The voting rights over these equity securities are exercised by the trustee banks.

- Other financial assets held by these plans are primarily accrued interest income on cash deposits and debt securities held by the plans; and dividend receivable from equity securities.
- Liabilities of the plans pertain to trust fee payable and retirement benefits payable.



The principal actuarial assumptions used in determining retirement benefit obligations for First Gen Group as of January 1, 2013 and 2012 are as follows:

	2013	2012
Discount rate	4.01% - 6.21%	4.94% - 6.11%
Future salary increase rate	5% - 12%	6% - 14%
Medical costs trend rate	7%	7%

The sensitivity analysis below was determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2013, assuming all other assumptions were held constant:

	2013	
	Increase/Decrease in Percentage Point	Effect on Present Value of Defined Benefit Obligation
Discount rate	+1%	(\$28,726)
	-1%	33,029
Future salary increases	+1%	32,459
	-1%	(28,641)
Medical costs trend	+1%	142
	-1%	(142)

For EDC, the estimated weighted average duration of benefit payment is 16 to 17 years in 2013, while the estimated weighted average duration of benefit payment for the Parent Company, FGHC, FGP, FGPC and others is 10 to 24 years in 2013.

Following are the information about the maturity profile of the defined benefit obligations as of December 31, 2013 (amounts in thousands):

	2013
Within the next 12 months	\$4,795
Between 2 and 5 years	24,791
Between 5 and 10 years	58,228
Between 10 and 15 years	100,792
Beyond 15 years and 20 years	91,581
More than 20 years	33,496

24. Income Tax

- a. The deferred income tax assets (liabilities) of First Gen Group are presented in the consolidated statements of financial position as follows:

	2013	2012
Deferred income tax assets	\$34,791	\$36,226
Deferred income tax liabilities	(22,946)	(16,384)



The components of these deferred income tax assets (liabilities) as of December 31, 2013 and 2012 are as follows:

	2013	2012
Deferred income tax items recognized in the consolidated statements of income:		
Deferred income tax assets on:		
Impairment loss on property, plant and equipment	\$19,532	\$21,124
Unrealized foreign exchange losses - BOT power plants	18,204	22,253
Revenue generated during testing period of BGI power plant	3,455	1,285
Asset retirement obligations	1,811	1,528
Allowance for doubtful accounts	1,152	1,606
EDC Calamity losses	923	—
Provision for impairment of parts and supplies inventories	754	403
Excess amortization of debt issuance costs under effective interest method over straight-line method	646	891
NOLCO	70	2,981
Difference between the carrying amounts of nonmonetary assets and their related tax bases	—	802
Others	4,610	2,997
	51,157	55,870
Deferred income tax liabilities on:		
Difference in fair value versus cost of property, plant and equipment of EDC	(16,632)	(17,897)
Difference between the carrying amounts of nonmonetary assets and their related tax bases	(12,682)	—
Difference between fair value & book value resulting from Business Combination	(8,689)	(10,613)
Unrealized foreign exchange gains	(6,997)	(21,137)
Prepaid major spare parts	(1,936)	(2,085)
Capitalized asset retirement obligations	(1,065)	(920)
Capitalized costs and losses during commissioning period of the power plants	(498)	(584)
Difference in fair value versus cost of parts and supplies inventories	(368)	(408)
	(48,867)	(53,644)
Deferred income tax items recognized directly in other comprehensive income:		
Deferred income tax asset on derivative liabilities (see Note 27)	9,555	17,616
	\$11,845	\$19,842

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 and \$0.1 million in 2012 and 2011, respectively, 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:

	2013	2012
NOLCO	\$138,972	\$122,113
MCIT	993	719
Accrual for retirement benefits	644	135
Others	1,064	807

As of December 31, 2013 and 2012, the taxable temporary differences representing the excess of the carrying amount of the investments in - 98 - subsidiaries over the tax base amounted to \$64.7 million and \$97.9 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 2013, 2012 and 2011 includes the RCIT of FG Bukidnon, FGP and FGPC. In 2013, FGPC computed its current income tax using Optional Standard Deduction (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. In 2011, FGP, FGPC and FG Bukidnon computed their current income tax using the OSD method, from which the availed tax benefits amounted to \$4.9 million.
- d. The balance of NOLCO as of December 31, 2013 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, 2013 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 Year Ended December 31	Available Until December 31	NOLCO		MCIT	
		<i>(In U.S. Dollar)(In Philippine Peso)</i>		<i>(In U.S. Dollar)(In Philippine Peso)</i>	
2011	2014	\$50,837	₱2,256,909	\$61	₱2,722
2012	2015	75,741	3,362,510	292	12,965
2013	2016	12,627	560,576	640	28,405
		\$139,205	₱6,179,995	\$993	₱44,092



- e. A reconciliation between the statutory income tax rate and effective income tax rate follows:

	2013	2012	2011
Statutory income tax rate	30.00%	30.00%	30.00%
Income tax effect of:			
Foregone itemized deduction before reconciling items	8.82	7.39	22.04
Unrealized foreign exchange gains (losses)	4.57	(1.92)	2.44
Effect of RE Law & change in tax rate	4.13	(4.87)	18.85
Unrecognized deferred tax asset on provision for impairment loss	1.78	—	—
Optional standard deduction	(9.74)	(9.06)	(27.12)
ITH incentives	(4.73)	(6.62)	(6.89)
Movement of temporary differences reversing during ITH	(0.44)	0.18	0.03
Others	(7.47)	0.77	(2.27)
Effective income tax rate	26.92%	15.87%	37.08%

- 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 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 19, 2014, the construction of the San Gabriel power plant is still on-going.

25. Earnings Per Share Calculations

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
(a) Net income attributable to equity holders of the Parent Company	\$118,077	\$189,834	\$35,131
Less dividends on preferred stocks	(20,778)	(21,649)	(9,802)
(b) Net income available to common stock	97,299	168,185	25,329
Add interest expense and accretion on debt issuance costs on CBs	544	5,877	11,420
€ Net income available to common stocks adjusted for the effect of conversion of stock options and CBs	97,843	174,062	36,749
(d) Weighted average number of common stocks for basic earnings per share	3,344,124,939	3,350,715,792	3,362,720,967
Effect of conversion of:			
Stock options	—	302,817	424,391
CBs	7,149,684	91,691,568	165,571,640
€ Weighted average number of common stocks for diluted earnings per share	3,351,274,623	3,442,710,177	3,528,716,998
Basic/Diluted Earnings Per Share (b/d)	\$0.029	\$0.050	\$0.008

In 2013, 2012 and 2011, 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.

26. Financial Risk Management Objectives and Policies

First Gen Group's principal financial liabilities comprise 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, 2013 and 2012, approximately 70.4% and 62.1%, 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):

	December 31, 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
<u>Fixed Rate</u>						
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

(Forward)



December 31, 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
FXR Bonds						
P3.0 billion	4.16%	\$—	\$—	\$—	67.58	\$67.58
P4.0 billion	4.73%	—	—	—	90.10	90.10
Floating Rate						
Long-term debts:						
Uncovered Facility	3.61%	5.54	12.58	11.12	—	29.24
Term Loan Facility	2.59%	13.62	45.40	57.51	187.66	304.19
Staple Financing	2.95%	27.03	67.57	46.75	—	141.35
PNB and Allied Bank Loan	4.5%	7.66	26.80	20.10	33.51	88.07
US\$80.0 million	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

December 31, 2012 (As Restated - Note 2)						
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	Total
Fixed Rate						
Long-term debts:						
Covered Facility*	7.25%	\$15.74	\$32.24	\$41.03	\$182.21	\$271.22
Uncovered Facility*	7.56% – 7.96%	13.89	34.73	42.48	17.15	108.25
Notes Facility	5.09%	1.50	6.50	49.50	42.50	100.00
\$300M Notes	6.50%	—	—	—	300.00	300.00
Public Bonds						
Series 1	8.64%	—	207.06	—	—	207.06
Series 2	9.33%	—	—	85.26	—	85.26
IFC 1	7.40%	8.33	16.66	16.66	45.73	87.38
IFC 2	6.66%	6.12	12.24	12.24	48.88	79.48
FXCN						
P3.0 billion	6.62%	0.73	1.46	1.46	69.06	72.71
P4.0 billion	6.61%	0.97	1.95	1.95	92.08	96.95
Convertible Bonds	2.50%	72.97	—	—	—	72.97
Floating Rate						
Long-term debts:						
Uncovered Facility	4.02%	4.63	11.58	14.16	5.72	36.09
Term Loan Facility	2.77%	18.00	44.00	68.00	290.00	420.00
Staple Financing	3.21%	12.88	158.26	—	—	171.14
PNB and Allied Bank Loan	4.5%	8.28	17.60	19.67	57.98	103.53
US\$175M Refinanced Syndicated Term loan	2.06%	35.00	35.00	105.00	—	175.00

*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, 2013 and 2012, with all other variables held constant, of First Gen Group's income before income tax and equity (through the impact of floating rate borrowings, derivative assets and liabilities):

	Increase (Decrease) in Basis Points	Increase (Decrease) on Income Before Income Tax	Increase (Decrease) on Equity
December 31, 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	—

(Forward)



	Increase (Decrease) in Basis Points	Increase (Decrease) on Income Before Income Tax	Increase (Decrease) on Equity
December 31, 2012			
U.S. Dollar	+100	(\$1.77 million)	\$14.61 million
	-100	1.77 million	(11.72 million)
Philippine Peso	+100	(2.83million)	—
	-100	2.83 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, 2013 and 2012 that may affect the consolidated financial statements of First Gen Group (amounts in millions):

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

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



2012 (As Restated - Note 2)						
	Original Currency					
	Philippine Peso- denominated Balances	Euro- denominated Balance	Japanese Yen- denominated Balance	Singaporean Dollar- denominated Balance	New Zealand dollar denominated Balance	Equivalent U.S. Dollar Balances ¹
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	₱12,684.4	€–	¥–	SG\$–	NZ\$–	\$309.0
Receivables	2,939.3	–	–	–	–	71.6
Long-term receivables	79.5	–	–	–	–	1.9
	15,703.2	–	–	–	–	382.5
AFS financial assets	49.9	–	–	–	–	1.2
Total financial assets	15,753.1	–	–	–	–	383.7
Financial Liabilities						
Liabilities at amortized cost:						
Accounts payable and accrued expenses	7,037.7	11.0	68.3	0.2	0.3	172.6
Dividends payable	896.9	–	–	–	–	21.9
Long-term debts	36,678.6	–	–	–	–	893.5
Total financial liabilities	44,613.2	11.0	68.3	0.2	0.3	1,088.0
Net financial liabilities	₱28,860.1	€11.0	¥68.3	SG\$0.2	NZ\$0.3	\$704.3

¹US\$1=₱41.05, US\$1=€0.76, US\$1=¥86.06, US\$1=SG\$1.218, and US\$1=NZ\$1.22 as of December 31, 2012

The following table sets out, for the years ended December 31, 2013 and 2012, 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):

2013			
	Foreign Currency Appreciates (Depreciates) By	Increase (Decrease) on Income Before Income Tax	Increase (Decrease) on Equity
<i>(Amounts in Millions)</i>			
Philippine Peso	2% (2%)	\$0.87 (0.90)	(\$13.04) 13.60
European Euro	3% (3%)	(0.37) 0.37	– –
Japanese Yen	10% (10%)	(0.01) 0.01	– –
Sweden Kroner	10% (10%)	(0.02) 0.02	– –
New Zealand Dollar	10% (10%)	(0.05) 0.06	– –
Chilean Peso	10% (10%)	(2.33) 2.84	– –
Great Britain Pound	10% (10%)	(0.02) 0.03	– –

2012 (As Restated - Note 2)			
	Foreign Currency Appreciates (Depreciates) By	Increase (Decrease) on Income Before Income Tax	Increase (Decrease) on Equity
<i>(Amounts in Millions)</i>			
Philippine Peso	3% (3%)	\$1.19 (1.27)	(\$23.01) 21.67
European Euro	10% (10%)	(0.88) 0.88	– –
Japanese Yen	10% (10%)	(0.08) 0.08	– –
Singapore dollar	10% (10%)	(0.02) 0.02	– –
New Zealand dollar	10% (10%)	(0.02) 0.02	– –



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, 2013 and 2012.

	2013	2012 (As Restated - Note 2)
Financial assets accounted for as cash flow hedge		
Derivative assets	\$4,317	\$-
Financial assets at FVPL		
Derivative assets	170	6
Loans and receivables		
Cash and cash equivalents*	869,578	633,007
Receivables:		
Trade	323,130	287,086
Due from related parties	2,840	2,673
Others	10,930	6,471
Long-term receivables	2,004	1,935
Special deposits and funds	4,009	5,404
Other current assets	218	232
Total loans and receivables	1,212,709	936,808
AFS financial assets		
Debt securities	7,700	14,762
Equity securities	7,086	2,744
Proprietary club membership shares	744	744
Total AFS financial assets	15,530	18,250
	\$1,232,726	\$955,064

*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, 2013 and 2012:

	2013						Total
	Neither Past Due nor Impaired	Past Due but Not Impaired				Past Due and Impaired	
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
Loans and receivables:							
Cash and cash equivalents	\$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	316	—	—	—	—	1,688	2,004
Special deposits and funds	4,009	—	—	—	—	—	4,009
Other current assets	218	—	—	—	—	—	218
AFS financial assets:							
Debt securities	7,700	—	—	—	—	—	7,700
Equity securities	7,086	—	—	—	—	—	7,086
Proprietary club membership shares	744	—	—	—	—	—	744
Financial assets at FVPL - Derivative assets	170	—	—	—	—	—	170
Financial assets accounted for as cash flow hedge - Derivative assets	4,317	—	—	—	—	—	4,317
Total	\$1,226,666	\$384	\$1,934	\$1	\$—	\$3,741	\$1,232,726

	2012 (As restated - Note 2)						
	Neither Past Due nor Impaired	Past Due but Not Impaired				Past Due and Impaired	Total
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
Loans and receivables:							
Cash and cash equivalents	\$633,007	\$—	\$—	\$—	\$—	\$—	\$633,007
Trade receivables	277,522	3,669	4,053	—	—	1,842	287,086
Due from related parties	2,673	—	—	—	—	—	2,673
Other receivables	4,975	1,002	447	47	—	—	6,471
Long-term receivables	298	—	—	—	—	1,637	1,935
Special deposits and funds	5,404	—	—	—	—	—	5,404
Other current assets	232	—	—	—	—	—	232
AFS financial assets:		—	—	—	—	—	
Debt securities	14,762	—	—	—	—	—	14,762
Equity securities	2,744	—	—	—	—	—	2,744
Proprietary club membership shares	744	—	—	—	—	—	744
Financial assets accounted for as cash flow hedge - Derivative assets	6	—	—	—	—	—	6
Total	\$942,367	\$4,671	\$4,500	\$47	\$—	\$3,479	\$955,064

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, 2013 and 2012, 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, 2013 and 2012:

	2013	2012 (As Restated - Note 2)
Trade receivables from Meralco	\$247,026	\$189,220
Trade receivables from NPC	41,813	38,975
Total credit concentration risk	\$288,839	\$228,195
Total receivables	\$334,847	\$294,388
Credit concentration percentage	86.3%	77.5%

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, 2013 and 2012, 14.9% and 17.6% 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, 2013 and 2012 based on the contractual undiscounted payments:

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

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

	2012 (As restated - Note 2)					Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year up to 5 Years	5 Years	
Financial assets:						
Cash and cash equivalents	\$633,011	\$-	\$-	\$-	\$-	\$633,011
Trade receivables	-	287,086	-	-	-	287,086
Total loans and receivables	633,011	287,086	-	-	-	920,097
AFS financial assets						
Debt securities	14,762	-	-	-	-	14,762
Total financial assets	\$647,773	\$287,086	\$-	\$-	\$-	\$934,859
Financial liabilities:						
Accounts payable and accrued expenses*	\$35,165	\$246,894	\$-	\$-	\$-	\$282,059
Dividends payable	-	21,849	-	-	-	21,849
Due to related parties	144	-	-	-	-	144
Long-term debt	-	5,172	206,721	1,423,481	1,336,574	2,971,948
Convertible bonds	-	73,684	-	-	-	73,684
Total liabilities carried at amortized cost	35,309	347,599	206,721	1,423,481	1,336,574	3,349,684
Derivative contract receipts	-	-	(5,560)	(5,030)	(4,565)	(15,155)
Derivative contract payments	-	-	17,749	54,146	18,508	90,403
Total financial liabilities accounted for as cash flow hedges	-	-	12,189	49,116	13,943	75,248
Total financial liabilities	\$35,309	\$347,599	\$218,910	\$1,472,597	\$1,350,517	\$3,424,932

*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, 2013 and 2012.

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.

	2013	2012 (As restated - Note 2)
Long-term debts (current and non-current portions)	\$2,616,617	\$2,286,108
Loans payable	53,829	—
Convertible bonds	—	72,578
Total debt	\$2,670,446	\$2,358,686
Equity attributable to equity holders of the Parent		
Company	\$1,350,015	\$1,409,653
Non-controlling interests	379,852	412,241
Total equity	\$1,729,867	\$1,821,894
Total debt and equity	\$4,400,313	\$4,180,580
Debt ratio	61:39	56:44

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, 2013 and 2012, First Gen Group is in compliance with those covenants.

27. 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, 2013 and 2012 that are carried in the consolidated financial statements:

	2013		2012 (As restated - Note 2)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Financial assets accounted for as cash flow				
hedges - Derivative assets	\$4,317	\$4,317	\$—	\$—
Financial assets at FVPL -				
Derivative assets	170	170	6	6
Loans and receivables:				
Cash and cash equivalents	870,253	870,253	633,011	633,011
Receivables:				
Trade	323,130	321,077	287,086	285,244
Due from related parties	2,840	2,840	2,673	2,673

(Forward)



	2013		2012 (As restated - Note 2)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Others	\$10,930	\$10,930	\$6,471	\$6,471
Long-term receivables	2,004	1,907	1,935	1,702
Special deposits and funds	4,009	4,009	5,404	5,404
Other current assets	218	218	232	232
Total loans and receivables	1,213,384	1,211,234	936,812	934,737
AFS financial assets -				
Debt securities	7,700	7,700	14,762	14,762
Equity securities	7,086	7,086	2,744	2,744
Proprietary club membership shares	744	744	744	744
Total AFS financial assets	15,530	15,530	18,250	18,250
	\$1,233,401	\$1,231,251	\$955,068	\$952,993
Financial Liabilities				
Financial liabilities carried at amortized cost:				
Accounts payable and accrued expenses*	\$294,822	\$294,822	\$311,961	\$311,961
Dividends payable	20,202	20,202	21,849	21,849
Due to related parties	258	258	144	144
Loans payable	53,829	53,829	—	—
Long-term debts	2,616,617	2,704,338	2,286,108	2,417,620
Convertible bonds	—	—	72,578	72,578
Total financial liabilities at amortized cost	2,985,728	3,073,449	2,692,640	2,824,152
Financial liability accounted for as cash flow				
hedges - Derivative liabilities	34,591	34,591	63,237	63,237
	\$3,020,319	\$3,108,040	\$2,755,877	\$2,887,389

*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 flow using the applicable rate of 2.52% and 3.13% in 2013 and 2012, respectively.

AFS financial assets

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

FGP's and FGPC's 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 0.2543% to 2.9280% and 0.0890% to 2.6130% as of December 31, 2013 and 2012, respectively.

Parent Company 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, 2013 and 2012 ranging from 0.066% to 3.291% and 0.052% to 0.978%, 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 7.40% in 2013 and 1.75% to 8.56% in 2012. 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 0.42% to 7.40% and 0.13% to 2.48% on December 31, 2013 and 2012.

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.

	2013			
	Fair value	Level 1	Level 2	Level 3
Loans and receivables:				
Long-term receivables	\$1,907	\$-	\$-	\$1,907
AFS financial assets:				
Debt securities	7,700	7,700	-	-
Equity securities	7,086	7,086	-	-
Financial assets accounted for as cash flow hedges - Derivative assets	4,317	-	4,317	-
Financial assets at FVPL - Derivative assets	170	-	170	-
Financial liabilities accounted for as cash flow hedges - Derivative liabilities	34,591	-	34,591	-
2012 (As restated - Note 2)				
	Fair value	Level 1	Level 2	Level 3
Loans and receivables:				
Long-term receivables	\$1,702	\$-	\$-	\$1,702
AFS financial assets:				
Debt securities	\$14,762	14,762	-	-
Equity securities	2,744	2,742	-	2
Financial assets at FVPL - Derivative assets	6	-	6	-
Financial liabilities accounted for as cash flow hedges - Derivative liabilities	63,237	-	63,237	-

As of December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements and there were no transfers into and out of Level 3 fair value measurements.

Derivative Financial Instruments

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

The table below shows the fair value of First Gen Group's outstanding derivative financial instruments, reported as assets or liabilities, together with their notional amounts as of December 31, 2013 and 2012 (amounts in millions). The notional amount is the basis upon which changes in the value of derivatives are measured.

	2013			2012 (As restated - Note 2)		
	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount
Derivatives Designated as Accounting Hedges						
Freestanding derivatives -						
Interest rate swaps	\$3.11	\$34.50	\$441.03	\$-	\$57.42	\$390.60
Cross currency swaps	1.21	0.09	65.00	0.01	5.82	65.00
	4.32	34.59		0.01	63.24	

(Forward)



	2013			2012 (As restated - Note 2)		
	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount
Derivatives not Designated as Accounting Hedges						
Freestanding derivatives -						
Foreign currency forwards	\$0.17	\$-	\$105.60	\$-	\$-	\$-
Total derivatives	\$4.49	\$34.59		\$0.01	\$63.24	
Presented as:						
Current	\$0.32	\$0.01		\$0.01	\$2.08	
Noncurrent	4.17	34.58		-	61.16	
Total derivatives	\$4.49	\$34.59		\$0.01	\$63.24	

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 and 2012, EDC has entered into a total of 22 and 6 foreign currency swap contracts respectively, with terms as follows:

Position	2013		2012 (As restated - Note 2)	
	Aggregate notional amount (in million)	Average forward rate	Aggregate notional amount (in million)	Average forward rate
Sell US\$ - buy PHP	\$105.60	₱44.00	\$44.50	₱41.42

For the years ended December 31, 2013 and 2012, EDC recognized \$0.3 million gain and \$0.1 million loss, respectively, from the fair value changes of the foreign currency swap contracts. These are recorded under "Mark-to-market gain on derivatives - net" account in the consolidated statements of income.

Foreign Currency Forward Contracts

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

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



For the year ended December 31, 2013, EDC recognized \$0.1 million gain from fair value changes of these foreign currency forwards contracts. Such amount is recorded under “Mark-to-market gain on derivatives - net” account in the consolidated statements of income.

EDC did not enter into any foreign currency forward transaction in 2012.

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.

Embedded Derivatives in CBs

As discussed in Note 14, at inception, multiple embedded derivatives in the CBs were bifurcated. The fair value of the embedded equity conversion, call and put options in the CBs issued by the Parent Company was computed using the indirect method of valuing multiple embedded derivatives. This valuation method compares the fair value of the option-free bond against the fair value of the bond as quoted in the market. The difference in the fair values is assigned as the fair value of the embedded derivatives.

On February 11, 2011, the holders of a portion of the CBs exercised their put option. Consequently, all unexercised put options expired on the same date (see Note 14). As of December 31, 2012, the multiple embedded derivatives have nil fair value. The CBs matured on February 11, 2013.

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 16).

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, 2013 and 2012, the aggregate negative fair value of the interest rate swaps that was deferred to “Cumulative translation adjustments” account in the consolidated statements of financial position amounted to \$24.1 million (net of related deferred tax effect of \$10.3 million) and \$40.1 million (net of related deferred tax effect of \$17.2 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 16). 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, 2013 and 2012, the positive fair value of the interest rate swaps that was deferred to “Cumulative translation adjustments” account in the consolidated statements of financial position amounted \$2.2 million (net of related deferred income tax effect of \$0.9 million) and nil, respectively.

There was no ineffective portion recognized in the consolidated statements of income for the years ended December 31, 2013 and 2012.



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, 2013 and 2012 are as follows:

	2013	2012
Notional amounts	\$441,027	\$390,600
Cumulative mark-to-market losses	(34,496)	(57,418)
Cumulative mark-to-market gains	3,110	–

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

	2013	2012
Fair value at beginning of year	(\$57,418)	(\$58,353)
Fair value changes taken into equity during the year	11,211	(14,756)
Fair value changes realized during the year	14,821	15,691
Fair value at end of year	(31,386)	(57,418)
Deferred tax effect on cash flow hedges	9,416	17,225
Fair value deferred into equity	(\$21,970)	(\$40,193)

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 change realized during the year was 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, 2013 and 2012, fair value changes taken to the consolidated statements of income amounted to \$14.8 million and \$15.7 million, respectively.

Cross Currency Swaps - EDC

In 2012, EDC entered into 6 non-deliverable cross-currency swap (NDCCS) agreements with an aggregate notional amount of US\$65.0 million 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) [see Note 16]. 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 interest based on 3-month US LIBOR plus 175 basis points and pays fixed peso interest. On specified dates, EDC also receives specified USD amounts in exchange for specified peso amounts based on the agreed swap rates. These USD receipts correspond with the expected interest and fixed principal amounts due on the hedged loan. Effectively, the 6 NDCCS converted 37.14% of hedged USD loan into a fixed rate peso loan.



Pertinent details of the NDCCS are as follows:

Notional amount (in million)	TradeDate	Effective Date	Maturity Date	Swap rate	Fixed rate	Variable rate
US\$15.0	03/26/12	03/27/12	06/17/17	P43.05	4.87%	3-month LIBOR + 175 bps
US\$10.0	04/18/12	06/27/12	06/17/17	42.60	4.92%	3-month LIBOR + 175 bps
US\$10.0	05/03/12	06/27/12	06/17/17	42.10	4.76%	3-month LIBOR + 175 bps
US\$10.0	06/15/12	06/27/12	06/17/17	42.10	4.73%	3-month LIBOR + 175 bps
US\$10.0	07/17/12	09/27/12	06/17/17	41.25	4.58%	3-month LIBOR + 175 bps
US\$10.0	10/29/12	12/27/12	06/17/17	41.19	3.44%	3-month LIBOR + 175 bps

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

As of December 31, 2013 and 2012, the outstanding aggregate notional amount of EDC's NDCCS amounted to \$65.0 million. The aggregate fair value changes on these NDCCS amounting to \$1.3 million loss and \$3.4 million loss as of December 31, 2013 and 2012, respectively, were 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 NDCCS match, except for one to two days timing difference on the interest reset dates, the hedges were assessed to be highly effective. As such, the aggregate fair value changes on these NDCCS amounting to \$5.8 million gain in 2013 and \$6.4 million loss in 2012 were recognized under "Cumulative translation adjustments" account in the consolidated statements of financial position. No ineffectiveness was recognized in the consolidated statements of income for the years ended December 31, 2013 and 2012.

As of December 31, 2013 and 2012, the net movement of changes made to "Cumulative translation adjustments" account for EDC's cash flow hedges are as follows:

	2013	2012 (As restated - Note 2)
Balances at beginning of year	(\$3,403)	\$-
Fair value change taken into equity during the year	5,797	(6,418)
Fair value change realized during the year	1,035	788
Foreign exchange gain (loss) realized taken to the consolidated statement of income	(4,494)	1,849
	(1,065)	(3,781)
Deferred income tax effect on cash flow hedges	(234)	378
Balances at end of year	(\$1,299)	(\$3,403)

Cross Currency Swap - Parent Company

On May 18, 2011, the Parent Company entered into a cross currency swap agreement (CCS) with ANZ to fully hedge its foreign currency risk exposure from the funding of the principal and interest payments of its Philippine peso denominated loan with BDO amounting to ₱500.0 million.

Under the agreement, the Parent Company, every April and October, receives from ANZ fixed peso interest of 8.4804% per annum (based on the outstanding Peso notional amount) and the amortization of the Peso notional amount, and pays to ANZ fixed U.S. dollar interest of 6.5% per annum (based on the outstanding U.S. dollar notional amount) and the amortization of the



equivalent U.S. dollar notional amount using the exchange rate of ₱43.19 /US\$, simultaneous with the funding of the debt servicing account of the hedged loan. The notional amount of the CCS is amortizing based on the repayment schedule of the hedged loan. The CCS has a term of four years and will mature on April 20, 2015.

As of December 31, 2012, the fair value changes deferred to equity amounted to \$0.6 million gain relating to mark-to-market movement of the CCS and \$0.5 million gain relating to foreign exchange revaluation of the hedged loan. Net change in fair value amounting to \$0.2 million gain was taken to “Foreign exchange gain (loss) -net” account in the consolidated statement of income.

On October 15, 2012, the Parent Company terminated the CCS with ANZ. As the hedged loan was also terminated, the positive fair value of the cross-currency swap that was deferred to “Cumulative translation adjustments” in the consolidated statement of financial position amounting to \$1.1 million as of termination date was taken to the 2012 consolidated statement of income as part of “Others” account in the Other income (charges) account.

The net movements in the fair value of CCS for the year ended December 31, 2012 are as follows:

Fair value at beginning of year	\$355
Fair value change taken into equity during the year	619
Fair value change realized during the year	(1,089)
Amount of gain taken to consolidated statement of comprehensive income	115
Fair value at end of year deferred into equity	\$-

Foreign Currency Forwards - FGPC and FGP

On September 7, 2011 and July 23, 2012, FGPC and FGP both entered into a several currency forward 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.

For the year ended December 31, 2012, net fair value changes taken to equity amounted to \$0.4 million gain and net fair value changes realized during the year taken to “Foreign exchange gain (loss)” account in the consolidated statements of income amounted to \$1.6 million loss.

Reconciliation of Net Fair Value Changes on Derivatives

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

	2013	2012	2011
Freestanding derivatives			
Forward contracts	\$337	\$259	2,009
Option assets	-	-	4,225
	\$337	\$259	\$6,234



28. Significant Contracts, Franchise, Commitments and Contingencies

a. Power Purchase Agreements (PPA)

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 \$270.7 million in 2013, \$290.5 million in 2012, and \$290.4 million in 2011. 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 \$1,292.7 million in 2013, \$1,390.8 million in 2012, and \$1,339.5 million in 2011.

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 Power Supply Agreement (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, 2013, 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.

In addition to the above contracts, FG Hydro entered into a PSA with First Philippine Industrial Corporation (FPIC). The contract was originally for a period of eight months, commencing on April 26, 2012 and was extended for a month or until January 25, 2013.



FG Hydro's PSA with BacMan, originally for a period of three months commencing on December 26, 2011, was extended for a month or until April 25, 2012.

EDC

EDC has existing PPAs with NPC for the development, construction and operation of a geothermal power plant by EDC in the service contract areas and the sale to NPC of the electrical energy generated from such geothermal power plants. The PPA provides, among others, that NPC pays EDC a base price per kWh of electricity delivered subject to inflation adjustments. The PPAs are for a period of 25 years 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 Power Supply Agreements (PSAs) to GCGI. As of December 31, 2013, 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, 24 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, 2020
LEYECO II*	Dec. 26, 2011	Dec. 25, 2021
Leyte III Electric Cooperative, Inc. (LEYECO III)*	Dec. 26, 2011	Dec. 25, 2021
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, 2015
VECO*	Dec. 26, 2011	Dec. 25, 2016

(Forward)



Customers	Contract Start	Contract Expiration
Balamban Enerzone Corporation (BEZ)	Dec. 26, 2010	Dec. 25, 2015
<u>Negros</u>		
Central Negros Electric Cooperative, Inc. (CENECO)*	Dec. 26, 2011	June 25, 2014
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, 2020
Negros Oriental II Electric Cooperative, Inc. (NORECO II)*	Dec. 26, 2010	Dec. 25, 2020
V.M.C. Rural Electric Service Cooperative, Inc. (VRESCO)*	Dec. 26, 2010	Dec. 25, 2020
Dumaguete Coconut Mills, Inc. (DUCOM)	Oct. 26, 2010	Oct. 25, 2020
<i>*with Provisional Authority from the ERC as of December 31, 2013</i>		
<u>Bohol</u>		
Bohol II Electric Cooperative, Inc. (BOHECO II)*	Jan. 26, 2013	Jan. 25, 2023
<u>Panay</u>		
Aklan Electric Cooperative, Inc. (AKELCO)*	March 26, 2010	Dec. 25, 2020
Capiz Electric Cooperative, Inc. (CAPELCO)*	Jan. 27, 2010	Dec. 25, 2020
Iloilo I Electric Cooperative, Inc. (ILECO I)*	March 26, 2010	Dec. 25, 2022
Iloilo II Electric Cooperative, Inc. (ILECO II)*	Dec. 26, 2010	Dec. 25, 2020
Iloilo III Electric Cooperative, Inc. (ILECO III)*	Dec. 26, 2012	Dec. 25, 2022
Guimaras Electric Cooperative, Inc. (GUIMELCO)*	Dec. 26, 2012	Dec. 25, 2022

**with Provisional Authority from the ERC as of December 31, 2013*

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.

BacMan Geothermal Inc. (BGI)

With BGI's takeover of BacMan Geothermal Power Plants from NPC effective September 2010, BGI entered into several PSAs with various companies and electric cooperative. As of December 31, 2013, following are the outstanding PSAs of BGI:

Customers	Contract Start	Contract Expiration
Linde Philippines, Inc.	Dec. 26, 2011	Dec. 25, 2013
Philippine Associated and Refining Smelting Corp. (PASAR)	Dec. 26, 2012	Dec. 25, 2015
Camarines Sur II Electric Cooperative, Inc. (CASURECO II)*	Jan. 26, 2013	Jan. 25, 2018
FPIC	Jan. 26, 2013	Dec. 25, 2014
FGES	June 26, 2013	Jan. 25, 2016

**with Provisional Authority from the ERC as of December 31, 2013*

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 January 25, 2016. The said contracted energy is intended to serve the contracted energy requirement of the Retail Supply Contract (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, Taiheiyō Cement Philippines Inc. (TCPI). During the year, BGI has supplied FGES with replacement power due to the supply interruption or reduction of energy supply from its geothermal power plant.



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, 2013 and 2012, 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 seven 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%.

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 Act"*, mandates the conversion of existing service contracts under P.D. 1442 into RE Service Contracts to avail of the incentives under the RE Act. 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.

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 Act was implemented by EDC retroactive from the effective date of the RE Act. Thus, the incentives provided by P.D. 1442 are effective until January 2009. 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.



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

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

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

e. Gas Sale and Purchase Agreements (GSPA)

FGP and FGPC each has an existing GSPA with the consortium of Shell Philippines Exploration B.V., Chevron Malampaya, LLC and PNOC Exploration Corporation (collectively referred to as Gas Sellers), for the supply of natural gas in connection with the operations of the power plants. The GSPAs, now on their twelfth Contract Year, are for a total period of approximately 22 years.

Total cost of natural gas purchased amounted to \$241.0 million in 2013, \$343.4 million in 2012, and \$304.8 million in 2011 for FGP; and \$595.8 million in 2013, \$650.7 million in 2012, and \$606.6 million in 2011 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 ended on December 25, 2013 (“CY 2013”). The alleged Annual Deficiency in the Gas Sellers’ invoice is based on the Gas Sellers’ calculation of the TOPQ.

FGP is disputing 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.

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 Power Project under DOE Certificate of Registration No. WESC 2009-09-004. In April 2013, EDC commenced the construction of its 87 MW Burgos Wind Power 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. EDC expects that the project will be commissioned in 2014 and intends to sell the project's electrical output under the Feed-in-Tariff, pursuant to the RE Law. Given the aforementioned key activities, EBWPC was granted a Certificate of Confirmation of Commerciality for its 87 MW Burgos Wind Project on May 16, 2013. The certificate converts the project's WESC from exploration/pre-development stage to the development/commercial stage.

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

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

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 19, 2014, 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 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.



g. Operating and Maintenance (O&M) Agreements - FGP and FGPC

FGP and FGPC have separate O&M Agreements with SPOI mainly for the operation, maintenance, management and repair services of their respective power plants. As stated in the respective O&M Agreements of FGP and FGPC, SPOI is responsible for maintaining adequate inventory of spare parts, accessories and consumables. SPOI is also responsible for replacing and repairing the necessary parts and equipment of the power plants to ensure the proper operation and maintenance of the power plants to meet the contractual commitments of FGP and FGPC under their respective PPAs and in accordance with the Good Utility Practice.

FGP and FGPC each signed a full scope O&M agreement with SPOI. Each signed contract took effect on August 1, 2010 (the Commencement Date) and will expire on the earlier of (i) the 20th anniversary of the Commencement Date, or (ii) the satisfactory completion of the major inspections of all units of the San Lorenzo and Santa Rita power plants, in each case nominally scheduled at 200,000 equivalent operating hours, as stipulated in their respective O&M Agreements.

O&M charges include Euro, U.S. dollar and Philippine peso components. The Euro denominated charge is hedged using foreign currency forwards to minimize the risk of foreign exchange fluctuations (see Note 26). 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 2013, \$26.2 million in 2012, and \$33.9 million in 2011.

In 2013 and 2012, prepaid major spare parts totaling to \$80.0 million and \$40.1 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, 2013 and 2012, certain O&M charges amounting to \$16.7 million and \$68.4 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).

h. 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 19, 2014, 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 Meralco Industrial Engineering Services Corporation (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 2013, \$0.7 million in 2012, and \$0.5 million in 2011.

i. 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.

j. 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 19, 2014, 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.

k. Tax Contingencies

Parent Company

The Parent Company received a Final Assessment Notice (FAN) from BIR Revenue Region Office No. 7 covering the taxable year 2007 amounting to ₱2,362.7 million inclusive of penalties, for deficiency income tax, VAT, documentary stamp tax and withholding tax. The Parent Company filed a Protest Letter on September 14, 2012 arguing, among others, that the basis of the assessment is not in accordance with law and that the assessment lacks factual basis. On April 30, 2013, the Parent Company settled its outstanding tax obligations based on the revised FAN totaling ₱3.1 million, inclusive of penalties.

FGPC

Deficiency Income Tax

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

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



On August 14, 2013, the CTA *en banc* issued a resolution that the case is deemed submitted for decision based on the respective Memorandums. The case remains pending as of March 19, 2014.

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 Province filed in March 2006 an Urgent Manifestation and Motion requesting the RTC to order the parties to submit memoranda on whether or not the Petition for Prohibition pending before it is proper considering the availability of the remedy of appeal to the CBAA. The RTC denied the Urgent Manifestation and Motion, and is presently awaiting the finality of the issues on the validity of the RPT assessment on the T-Line.

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.

Non-operating subsidiaries

On January 30, 2014 and February 10, 2014, certain subsidiaries of the Parent Company received a Final Decision on Disputed Assessment (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. Management believes that the resolution of this assessment will not materially affect First Gen Group's consolidated financial statements.

BPPC

On July 26, 2010, BPPC turned over the Bauang Plant to NPC/PSALM following the expiration of the 15-year Cooperation Period covering the project. Prior to the turnover, there were cases filed against BPPC involving the assessment of RPT and franchise tax by the local government. While BPPC had recognized a "Provision for real property taxes" in accordance with PAS 37, such provision for RPT and the related receivable from NPC were duly reversed as of December 31, 2010 on the ground that the transfer of the Bauang Plant constitutes full and complete satisfaction of all RPT claims against NPC/PSALM and BPPC.

Real Property Tax (RPT)

- (i) The Bauang plant equipment were originally classified as tax-exempt under the individual tax declarations until the Province of La Union (the "LGU") revoked the exemption and issued RPT assessments in 1998. This marked the inception of the first case which was presented and heard at the LBAA, CBAA, Court of Tax Appeals (CTA) and the Supreme Court (SC). The petition to uphold the exemption of NPC from RPT was subsequently denied in 2007 by the SC, though not with finality. To protect the plant assets from any untoward action by local government, BPPC and NPC obtained in May 2001 a Writ of Preliminary Injunction against the collection of RPT by the LGU pending a decision by the SC on the NPC Petition.

In total disregard of a valid injunction premised on a final SC decision in July 2007, the LGU issued in December 2007 a Final Notice of Delinquency and a subsequent Warrant of Levy for the unpaid RPT on the Bauang Plant equipment. Similarly, the LGU attempted to collect the arrears on the RPT on buildings and improvements, which NPC stopped paying since 2003, and included these assets in the levy. The inability of NPC to



settle the amounts due within the grace period resulted in the public auction of the assets on February 1, 2008.

Even before the public auction, BPPC filed on January 17, 2008 a Petition for Indirect Contempt under Rule 71 of the 1997 Revised Rules of Civil Procedure on the ground that the LGU, through the issuance of the Final Notice of Delinquency and Warrant of Levy and the subsequent auction sale, effectively disobeyed the Writ of Injunction issued by the court.

In the absence of a bidder at auction proper, the alleged tax-delinquent assets were forfeited and deemed sold to the LGU. Nevertheless, Section 263 of RA No. 7160 also known as the Local Government Code of 1991, accords the taxpayer the right to redeem the property within one (1) year from date of sale/forfeiture. However, for failure to redeem the plant at the end of the redemption period, the LGU on February 10, 2009 consolidated title to and ownership of the plant assets by issuing new tax declarations in its name. Although NPC's offer of a settlement package for the ₱1.87 billion RPT was accepted by the LGU, negotiations were aborted in April 2009 in the absence of a clear directive from the Department of Finance and the Department of Budget and Management for NPC to settle.

On December 22, 2009, the court dismissed BPPC's Petition for Indirect Contempt. A Motion for Reconsideration of this Order was subsequently denied by the Court. BPPC filed a Notice of Appeal, and the records of this case were transmitted to the CA on October 4, 2010.

The NPC also filed a Notice of Appeal. On April 26, 2011, BPPC filed a Notice of Withdrawal of Appeal. Thereafter, on May 31, 2011, the CA issued a Resolution considering BPPC's Appeal as withdrawn.

On June 23, 2011, BPPC received a copy of the NPC's Motion to Withdraw Notice of Appeal which was granted by the CA in a Resolution dated August 5, 2011. Consequently, the CA considered the case closed and terminated. On September 26, 2011, BPPC received the Entry of Judgment.

- (ii) The second case was filed by NPC with the LBAA of the Province of La Union, for itself and on behalf of BPPC, following issuance of a revised assessment of RPT on BPPC's machinery and equipment in July 2003 by the Municipal Assessor of the Municipality of Bauang, La Union. Under the said revised Assessment, the maximum tax liability for the period 1995 to 2003 is about \$16.8 million (₱775.1 million), based on the maximum 80% assessment level imposable on privately-owned entities and a tax rate of 2%. In addition, interest on the unpaid amounts (2% per month not exceeding 36 months) reached a total amount of \$10.6 million (₱489.0 million).
- (iii) The third case was filed on October 19, 2005 by NPC with the LBAA of the Province of La Union, for itself and on behalf of BPPC, following receipt of a Statement of Account from the Municipal Treasurer dated August 5, 2005 for RPT on BPPC's buildings and improvements from 2003 to August 2005 amounting to \$0.09 million (₱4.2 million). NPC paid all RPT on buildings and improvements directly to the local government from 1995 until 2003, when it stopped payment of the tax and claimed an exemption under the Local Government Code. These properties were included in the February 1, 2008 auction by the LGU.



Franchise Tax

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

In December 2010, BPPC filed its Supplemental Formal Offer of Evidence. Thereafter, the Court issued an Order admitting all Company's Exhibits. On July 12, 2011, the Court issued another Order with respect to BPPC's Supplemental Offer of Evidence, excluding four (4) of the already admitted BPPC's Exhibits. Respondent then filed a Motion for Reconsideration of the said Order, to which BPPC filed its Comment and Opposition. In August 2011, BPPC filed a Motion for the issuance of an order amending the July 12, 2011 Order.

On February 2, 2012, the RTC of Bauang, La Union issued an order denying the Respondent's Motion for Reconsideration and granting BPPC's motion.

During a hearing held on April 17, 2012, the Respondents manifested that they will no longer be presenting additional witnesses. The Court gave the Respondents twenty (20) days from the receipt of the order to file their formal offer of evidence and BPPC ten (10) days from receipt of formal offer to file its comment, after which the matter shall be resolved. In the same order given in open court, the parties were directed to file their respective memorandum within thirty (30) days from the receipt of the ruling on the formal offer of evidence.

Respondents filed a Motion to Correct Markings on Exhibits (with Prayer for Extension to File Formal Offer of Documentary Evidence) in June 2012, which was granted in an Order dated June 21, 2012.

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

I. 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, 2013 to July 31, 2014.

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).

As of December 31, 2013 and 2012, future minimum rental payments under the non-cancelable operating leases with FPRC and the DENR are as follows:

	2013	2012
Within one year	\$346	\$331
After one year but not more than five years	261	260
After five years	329	391
	\$936	\$982

m. 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 Supreme Court (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. On January 18, 2011, the SC noted and accepted the Return filed by the Parent Company, and on January 25, 2011 similarly noted and accepted the Compliance filed by the Parent Company.

On January 3, 2011, FPIC asked the SC to temporarily lift the Writ for the conduct of a pressure-controlled leak test for the entire 117-kilometer white oil pipeline, as recommended by the international technical consultant of the Department of Energy (DOE). On November 22, 2011, the SC issued a Resolution ordering the temporary lifting of the TEPO for a period of 48 hours. The DOE and its international technical consultant, SGS Philippines, Inc., supervised the leak test activities which began in the morning of December 14, 2011. Representatives from the University of the Philippines National Institute of Geological Sciences, UP Institute of Civil Engineering, and the parties witnessed the activities.

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, 30 days after the submission of the parties' respective memoranda. Further, in an earlier resolution dated May 31, 2011, the SC clarified that the black oil pipeline is not included in the Writ with TEPO.

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

Petitioners filed a Motion for Partial Reconsideration dated January 10, 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 dated January 22, 2013 stating that the black oil pipeline is safe for commercial operation. FPIC likewise submitted an Interim Periodic Report as of January 31, 2013. On February 13, 2013, FPIC filed its Comment (On the Court of Appeals' Report and Recommendation on the Merits of the Case) and Opposition (to Petitioners' Motion for Partial Reconsideration).



In a Resolution dated June 18, 2013, the SC noted FPIC's periodic report on its efforts at checking its white oil pipeline, implementing safety measures, and the remediation of the affected area, for the months of March, April and May 2013 and accepted the Certification dated April 30, 2013 from the DENR.

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.

In a Resolution dated September 24, 2013, the SC noted FPIC's periodic report on its efforts at checking its white oil pipeline, implementing safety measures, and the remediation of the affected area, for the month of August 2013.

In a Resolution dated October 8, 2013, the SC resolved to defer action on petitioners' Motion for Partial Reconsideration (of the Court of Appeals' Report and Recommendation with Final Resolution on Specific Pending Incidents dated December 21, 2012) until the Certification from the DOE is submitted.

In a Resolution dated November 12, 2013, the SC deferred action on the Motion for Reconsideration with Motion for Clarification dated September 12, 2013 filed by petitioners until the Certification from the DOE is submitted, but noted the Opposition dated October 24, 2013 filed thereto by FPIC.

In a Resolution dated November 19, 2013, the SC noted FPIC's submission of the Certification dated October 25, 2013 signed by DOE Secretary Petilla and FPIC's periodic report on its efforts at checking its white oil pipeline, implementing safety measures, and the remediation of the affected area, for the month of October 2013.

In a Compliance dated February 21, 2014, FPIC submitted to the SC its periodic report on its efforts at checking its white oil pipeline, implementing safety measures, and the remediation of the affected area, for the month of January 2014.

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. Subsequently, in an Order dated January 18, 2012, Judge Calis declared that the Plaintiff's Motion for Reconsideration of the August 22, 2011 Order is deemed submitted for resolution.

In an Order dated September 13, 2013, the Makati City RTC (Branch 58) suspended the proceedings of the case in light of the filing by the plaintiffs of a Petition for Certiorari (with Prayer for Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction) dated June 2012 with the Court of Appeals. On January 23, 2014, the court issued an Order archiving the case without prejudice to its reopening.

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 365 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. 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.

29. Other Matters

EDC

a. Acquisition of Palinpinon and Tongonan Geothermal Power Plants (PTGPP)

On September 16, 2009, PSALM issued the Notice of Award and Certificate of Effectivity to GCGI, a wholly-owned subsidiary of FL Geothermal. FL Geothermal is a wholly-owned subsidiary of EDC. The Notice of Award officially declares GCGI as the winning bidder of the 192.5 MW Palinpinon Geothermal Power Plant located in Dumaguete, Negros Occidental and 112.5 MW Tongonan Geothermal Power Plant located in Leyte.

b. Acquisition of Bacon-Manito Geothermal Power Plants (BMGPP)

On May 5, 2010, BGI submitted the highest offer price of \$28.25 million for the 150MW BacMan Geothermal Power Plants in a competitive bidding conducted by PSALM.

Located in the towns of Bacon, Sorsogon and Manito, Albay in the Bicol region, the BacMan plant package consists of two steam plant complexes. The BacMan I geothermal facility comprises two (2) 55-MW turbines, which were both commissioned in 1993. BacMan II, on the other hand, consists of two (2) 20-MW units namely, the Cawayan located in Barangay Basud and the Botong in Osiao, Sorsogon City. The Cawayan unit was commissioned in 1994 and the Botong unit was commissioned in 1998. EDC supplies the steam requirements of these plants. On September 3, 2010, BGI remitted to PSALM the amount of ₱1,279.7 million representing the full payment of the BacMan power plants acquisition. BMGPP started its



commercial operations on February 25, 2013, however, on March 1, 2013, BMGPP suspended its operations due to vibration issues that damaged the second unit of its power plant.

c. Service Concession Arrangements

EDC operates 12 geothermal projects in five geothermal service contract areas, namely Leyte Geothermal Production Field (LGPF), Southern Negros Geothermal Production Field (SNGPF), BacMan Geothermal Production Field (BGPF), Mindanao Geothermal Production Field (MGPF) and Northern Negros Geothermal Production Field (NNGPF) under the GSCs [(see Note 27(c)) entered into with DOE pursuant to the provisions of P.D. 1442. These GSCs were replaced by GRESCs on October 23, 2009. Geothermal steam produced is partly sold to NPC, while the remainder are fed to EDC's and GCGI's power plants to produce electricity. EDC sells steam and power to NPC under the SSAs and PPAs, respectively.

EDC has entered into the following service contracts with the Philippine Government (represented by the Ministry/Department of Energy) for the exploration, development and production of geothermal fluid for commercial utilization:

- a. Tongonan, Leyte, dated May 14, 1981
- b. Southern Negros, dated October 16, 1981
- c. Bacman, Sorsogon, dated October 16, 1981
- d. Mt. Apo, Kidapawan, Cotabato, dated March 24, 1992
- e. Mt. Labo, Camarines Norte and Sur, dated March 19, 1994
- f. Northern Negros, dated March 24, 1994
- g. Mt. Cabalian, Southern Leyte, dated January 13, 1997

The exploration period under the service contracts shall be five years from the effective date, renewable for another two years, if EDC has not been in default in its exploration, financial and other work commitments and obligations and has provided a work program for the extension period acceptable to the Philippine Government. Where geothermal resource in commercial quantity is discovered during the exploration period, the service contracts shall remain in force for the remainder of the exploration period or any extension thereof and for an additional period of 25 years thereafter, provided that, if EDC has not been in default in its obligations under the contracts, the Philippine Government may grant an additional extension of 15 to 20 years.

EDC shall acquire for the geothermal operations materials, equipment, plants and other installations as are required and necessary to carry out the geothermal operations. All materials, equipment, plants and other installations erected or placed on the contract areas of a movable nature by EDC shall remain the property of EDC unless not removed therefrom within one year after the expiration and/or termination of the related service contract in which case, ownership shall be vested in the Philippine Government.

The service contracts provide that, among other privileges, EDC shall have the right to enter into agreements for the disposition of the geothermal resources produced from the contract areas, subject to the approval of the Philippine Government.

Pursuant to such right, EDC has entered into agreements for the sale of the geothermal resources produced from the service contract areas principally with the NPC, a government-owned and controlled corporation. These agreements are for 25 years and may be renegotiated by either party after five years from the date of commercial operations.



Pursuant to such right also, EDC has also entered into agreements with NPC for the development, construction and operation of a geothermal power plant by EDC in its GSC areas and the sale to NPC of the electrical energy generated from such geothermal power plants. These agreements are for 25 years of commercial operations and may be extended upon the request of EDC by notice of not less than 12 months prior to the end of the contract period, the terms and conditions of any such extension to be agreed upon by the parties.

EDC's agreements with NPC for the sale of the geothermal resources produced from the service contract areas and the sale of the electrical energy generated from the geothermal power plants contain certain provisions relating to pricing control in the form of a cap in EDC's internal rate of return for specific contracts; as well as for payment by NPC of minimum guaranteed monthly remuneration and nominated capacity.

For the Northern Negros service contract, EDC does not have agreements with NPC for the sale of the geothermal resources and electrical energy produced from the service contract area. EDC instead enters into contracts with distribution utilities, electric cooperatives and other third party buyers of electricity for the sale of the electrical energy generated from the service contract area.

On October 23, 2009, the GSCs for the following contract areas were replaced by GRESCs pursuant to R.A. 9513 as discussed in Note 27(c): Leyte, Southern Negros, Bacman, Mindanao, and Northern Negros. Aside from the tax incentives arising from the conversion to GRESCs, the significant terms of the service concessions under the GRESCs are similar to the GSCs except for EDC having control over any significant residual interest over the steam field, power plants and related facilities throughout the concession period and even after the concession period. As a result of abovementioned changes in the service concession arrangements, EDC has made a judgment that its service concession contracts are no longer within the scope of Philippine Interpretation IFRIC 12 starting October 23, 2009.

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.

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]

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: Puyo River Hydropower Project in Jabonga, Agusan del Norte; Cabadbaran River Hydropower Project in Cabadbaran, Agusan del Norte; Bubunawan River Hydropower Project in Baungon and Libona, Bukidnon; Tumalaong River Hydropower Project in Baungon, Bukidnon; and Tagoloan River Hydropower Project in Impasugong and Sumilao, Bukidnon. The 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 Act. 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.

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.



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:

Contract	Counterparty	Salient points
Equipment Supply Contract	Siemens Aktiengesellschaft	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.



Contract	Counterparty	Salient points
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 2 MW monthly supply of electric energy from June 26, 2013 to January 25, 2016. On May 20, 2013, FGES also entered into a RSC with TCPI for 6 MW monthly supply of electric energy from June 26, 2013 until January 25, 2016 (see Note 28a). Under the 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 Wholesale Electricity Spot Market (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 8 years since its commencement on June 26, 2006. Annual average Luzon spot prices ranged from approximately ₱3.86/kWh, ₱4.76/kWh, to ₱5.96/kWh for 2011, 2012, and 2013, respectively. The increase in 2013 WESM prices was a reflection of the supply deficiency due to the simultaneous plant outages together with the Malampaya outage from November to December 2013.

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 ₱3.49/kWh, ₱4.72/kWh, and ₱3.82/kWh for 2011, 2012, and 2013, 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 by 2015.



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 Senate, pending for committee approval are:

1. Senate Bill (SB) No.2059: An Act Amending Republic Act No. 9136, Otherwise known as the 'Electric Power Industry Reform Act of 2001'
2. Senate Bill (SB) No.207: Agus-Pulangi Privatization Exemption Act of 2013

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 FG Energy, 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.

30. Events After the Financial Reporting Date

Dividend Declarations

On February 28, 2014, EDC declared cash dividends amounting to \$41.7 million (₱1.88 billion) to its common shareholders and \$0.2 million (₱7.5 million) to its preferred shareholders of record as of March 17, 2014, payable on or before April 10, 2014.

On January 29, 2014, FG Hydro declared cash dividends to its common shareholders amounting to \$15.6 million (₱700.0 million) paid on February 4, 2014.



Acquisition of Hot Rock Entities

On December 19, 2013, EDC HKL, an indirect wholly-owned subsidiary of EDC, entered into a Share Sale Agreement (SSA), as amended, with Hot Rock Holding Ltd (“HRH”), an indirect wholly-owned subsidiary of Hot Rock Limited (“HRL”). HRL is a listed company in Australian Stock Exchange. As provided under the SSA, EDC HKL should acquire the shares of Hot Rock Chile Ltd and Hot Rock Peru Ltd held by HRH, subject to certain pre-completion conditions.

The total purchase price for the acquisition of Hot Rock entities amounted to US\$3 million.

The completion/closing date and also the date on which EDC has obtained control over Hot Rock entities, as established by management, was on January 3, 2014. As of March 19, 2014, the determination of the accounting for the transaction is not yet complete. Based on the assessment of the management, the acquisition of Hot Rock entities will not have a significant impact on current financial position and results of operations of EDC as Hot Rock entities are still under development stage with minimal assets and liabilities.



EXHIBIT “C”

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FIRST GEN CORPORATION AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

December 31, 2013

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Report of Independent Public Accountants	
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Consolidated Statements of Income	
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Consolidated Statements of Comprehensive Income	
for the years ended December 31, 2013, 2012 and 2011	
Consolidated Statements of Changes in Equity	
for the years ended December 31, 2013, 2012 and 2011	
Consolidated Statements of Cash Flows	
for the years ended December 31, 2013, 2012 and 2011	
Notes to Consolidated Financial Statements	

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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, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, included in this Form 17-A and have issued our report thereon dated March 19, 2014. 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. 08-001998-43-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4225149, January 2, 2014, Makati City

March 19, 2014



FIRST GEN CORPORATION AND SUBSIDIARIES

Schedule A. Financial Assets

December 31, 2013

(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	\$ 870,253	N/A	\$ 8,892
Trade receivables - net of allowance for doubtful accounts	N/A	N/A	321,077	N/A	-
Due from related parties	N/A	N/A	2,840	N/A	-
Other receivables	N/A	N/A	10,930	N/A	-
Long-term receivables - net of allowance for doubtful accounts	N/A	N/A	316	N/A	-
Special deposits and funds	N/A	N/A	4,009	N/A	-
Other current assets	N/A	N/A	218	N/A	-
Available for Sale (AFS) financial assets					
Quoted equity securities	Various	Various	7,086	7,086	
Quoted government debt securities	Various	Various	7,700	7,700	
Investments in proprietary club membership shares	N/A	N/A	744	N/A	-
			\$ 1,225,173		\$ 8,892

FIRST GEN CORPORATION AND SUBSIDIARIES

Schedule C. Amounts Receivable from Related Parties which are Eliminated during Consolidation of Financial Statements

December 31, 2013

(Amounts in U.S. Dollars and in Thousands)

Receivable to Name of Subsidiary/ Counterparty	Beginning Balance	Additions	Collections	Reclassifications/ Revaluations	Amounts Written Off	Ending Balance		Amount Eliminated
						Current	Non-Current	
Subsidiaries								
FGEN LNG Corporation	\$-	\$11,867	\$-	(\$259)	\$-	\$11,608	\$-	\$11,608
First Gas Holdings Corporation	9,554	-	-	-	-	9,554	-	9,554
Pime Meridian Power Gen Corp.	4,308	8,892	(3,694)	(581)	-	8,925	-	8,925
Northern Terracotta Power Corp	3,451	-	-	(260)	-	3,191	-	3,191
First Gen Mindanao Hydro Power Corporation	1,480	350	-	(129)	-	1,701	-	1,701
First Gen Luzon Power Corp.	203	1,672	(934)	(77)	-	864	-	864
First Gen Prime Energy Corporation	539	190	(16)	(49)	-	664	-	664
First Gen Renewables, Inc.	362	-	-	(27)	-	335	-	335
AlliedGen Power Corporation	-	330	-	(6)	-	324	-	324
Blue Vulcan Holdings Corp.	554	200	(457)	(8)	-	289	-	289
First Gen Visayas Hydro Power Corporation	193	8	-	(15)	-	186	-	186
First Gen Premier Energy Corp.	84	52	(8)	(9)	-	119	-	119
First NatGas Power Corp.	-	723	(621)	(2)	-	100	-	100
First Gas Power Corporation	105	71	(72)	(7)	-	97	-	97
FGen Cabadbaran Hydro Corporation	-	62	-	(4)	-	58	-	58
FGen Puyo Hydro Corporation	21	40	-	(4)	-	57	-	57
FG Bukidnon Power Corp.	58	1	(9)	4	-	54	-	54
FGen Bubunawan Hydro Corporation	14	40	-	(4)	-	50	-	50
FGen Northern Mindanao Holdings, Inc.	5	18	-	(1)	-	22	-	22
First Gen Energy Solutions Inc.	20	-	-	(2)	-	18	-	18
First Gen Visayas Energy Inc.	7	4	-	(1)	-	10	-	10
First Gen Ecopower Solutions, Inc.	5	2	-	(1)	-	6	-	6
FG Mindanao Renewables Corp.	5	1	-	(1)	-	5	-	5
FGen Tumalaong Hydro Corporation	-	5	-	-	-	5	-	5
FGen Tagoloan Hydro Corporation	-	5	-	(1)	-	4	-	4
Red Vulcan Holdings Corporation	7,771	2,066	-	(410)	-	9,427	-	9,427
Prime Terracota Holdings Corporation	413	207	-	(37)	-	583	-	583
Advances to subsidiary (Blue Vulcan)	400,000	-	-	(400,000)	-	-	-	-
	\$429,152	\$26,806	(\$5,811)	(\$401,891)	\$-	\$48,256	\$-	\$48,256

FIRST GEN CORPORATION AND SUBSIDIARIES

Schedule D. Intangible Assets - Other Assets

December 31, 2013

(Amounts in U.S. Dollars and in Thousands)

Description	Beginning Balance	Additions At Cost	Deductions		Other Changes- Additions (Deductions)*	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts		
A) Goodwill and Intangible assets						
Goodwill	\$1,172,355	\$-	\$-	\$-	(\$87,648)	\$1,084,707
Concession rights for contracts acquired - net of amortization	115,573	-	(13,897)		(8,021)	93,655
Water rights - net of amortization	44,228	-	(2,279)	-	(3,219)	38,730
Pipeline rights - net of amortization	7,080	-	(603)	-	-	6,477
Other intangible assets - net of amortization	11,394	4,070	(633)	(11,084)	(481)	3,266
	\$1,350,630	\$4,070	(\$17,412)	(\$11,084)	(\$99,369)	\$1,226,835
B) Other Assets						
Input value added tax - net of allowance for impairment	\$91,616	\$-	(\$2,723)	(\$10,036)	\$6,505	\$85,362
Exploration and evaluation assets	39,077	32,028	(13,621)	(3)	(3,854)	53,627
Tax credit certificates	38,182	-	-	(3,029)	-	35,153
Prepaid major spare parts	68,392	28,348	-	(80,047)	-	16,693
AFS financial assets	15,026	-	-	(7,196)	-	7,830
Derivative assets	-	4,166	-	-	-	4,166
Special deposits and funds	5,404	-	-	(1,395)	-	4,009
Prepaid expenses	2,096	1,404	-	-	-	3,500
Long-term receivables - net of allowance for doubtful accounts	298	201	(196)	-	13	316
Retirement assets	1,166		-	(1,166)	-	-
Others	4,257	2,162	-	-	-	6,419
	\$265,514	\$68,309	(\$16,540)	(\$102,872)	\$2,664	\$217,075

* Pertains to foreign exchange translations of Intangible and Other assets of First Gen subsidiaries with Philippine Peso as its functional currency to U.S. Dollar.

FIRST GEN CORPORATION AND SUBSIDIARIES

Schedule E. Long-term Debt

December 31, 2013

(Amounts in U.S. Dollars and in Thousands)

Name of Issuer and Type of Obligation	Total Loans - net	Amount Shown as Current - net	Amount Shown as Long-term - net	Remarks
Parent Company				
\$300M Senior Unsecured Notes	\$296,511	\$-	\$296,511	
\$100M Notes Facility	97,003	2,101	94,902	
FGP Corp. Term Loan Facility	397,850	17,353	380,497	
First Gas Power Corporation				
Covered Facility with nine foreign banks	250,586	14,556	236,030	
Uncovered Facility with nine foreign banks	115,422	21,616	93,806	
Energy Development Corporation				
EDC \$300M Notes	297,200	-	297,200	
Peso Public Bonds	268,879	-	268,879	
International Finance Corporation Loan	138,819	13,049	125,770	
Peso Fixed Rate Note Facility	153,372	1,388	151,984	
Refinanced Syndicated Term Loan	138,457	17,175	121,282	
Peso Fixed Rate Bonds	155,755	-	155,755	
\$80M Term Loan	78,260	2,898	75,362	
Red Vulcan Staple Financing	140,430	26,679	113,751	
FG Hydro PNB Loan	88,073	7,658	80,415	
	\$2,616,617	\$124,473	\$2,492,144	

Note: Balances shown are already net of the unamortized portion of debt issuance costs as of December 31, 2013 in compliance with PAS 32, "Financial Instruments: Presentation." Please refer to Note 16 of the consolidated financial statements for additional information.

FIRST GEN CORPORATION AND SUBSIDIARIES

Schedule H. Capital Stock

December 31, 2013

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Redeemable preferred stock Series "B"	1,000,000,000	1,000,000,000	-	1,000,000,000	-	-
Redeemable preferred stock Series "E"	1,500,000,000	468,553,892	-	468,553,892	-	-
Redeemable preferred stock Series "F"	100,000,000	100,000,000	-	52,450,000		47,550,000
Redeemable preferred stock Series "G"	135,000,000	133,750,000	-	50,296,450	100,000	83,353,550
Common stock *	5,000,000,000	3,335,068,757	-	2,199,394,159	42,337,738	1,093,336,860

Note: Please refer to Note 18 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 308,251,700 as of Dec. 31, 2013.*

FIRST GEN CORPORATION

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS

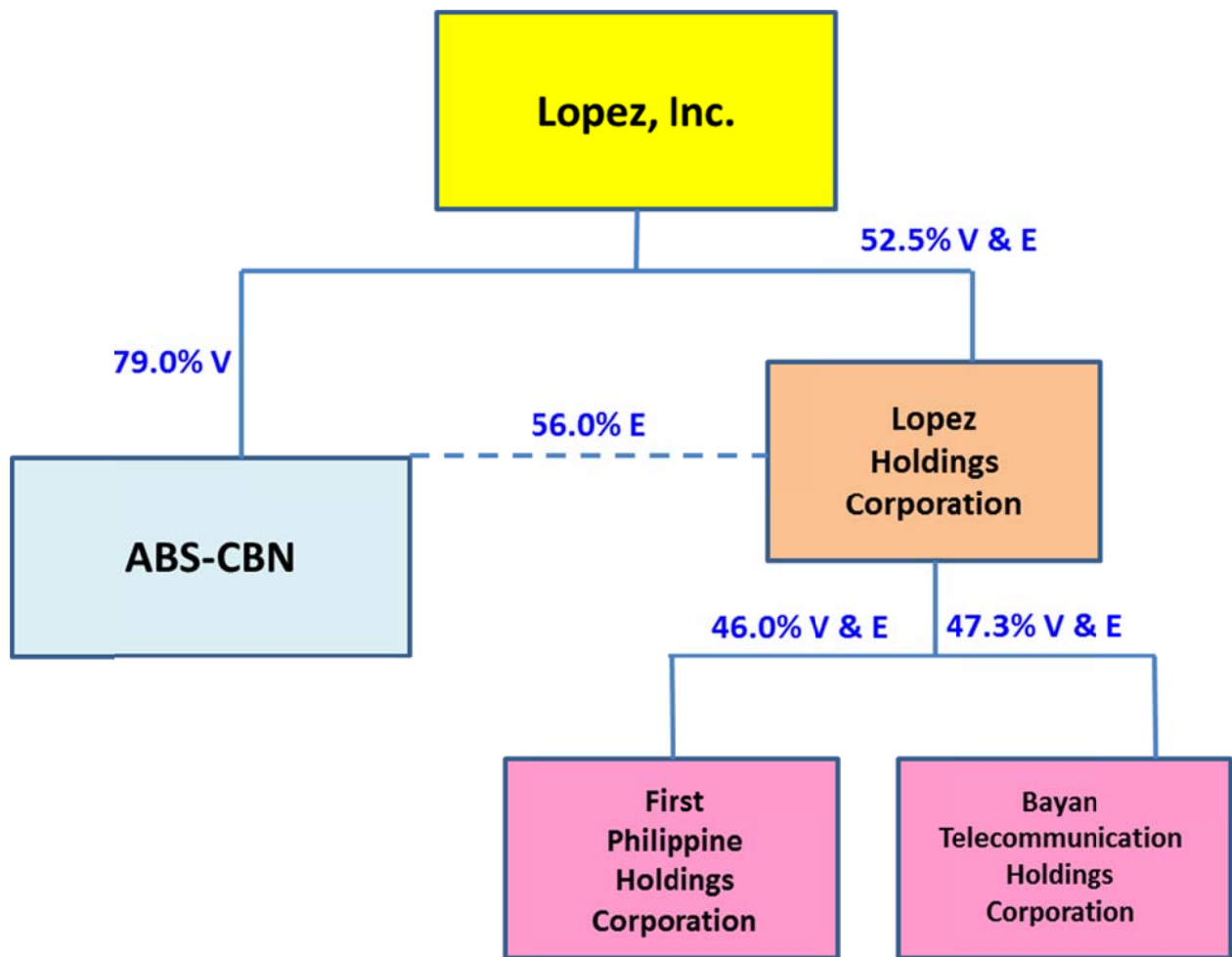
AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2013

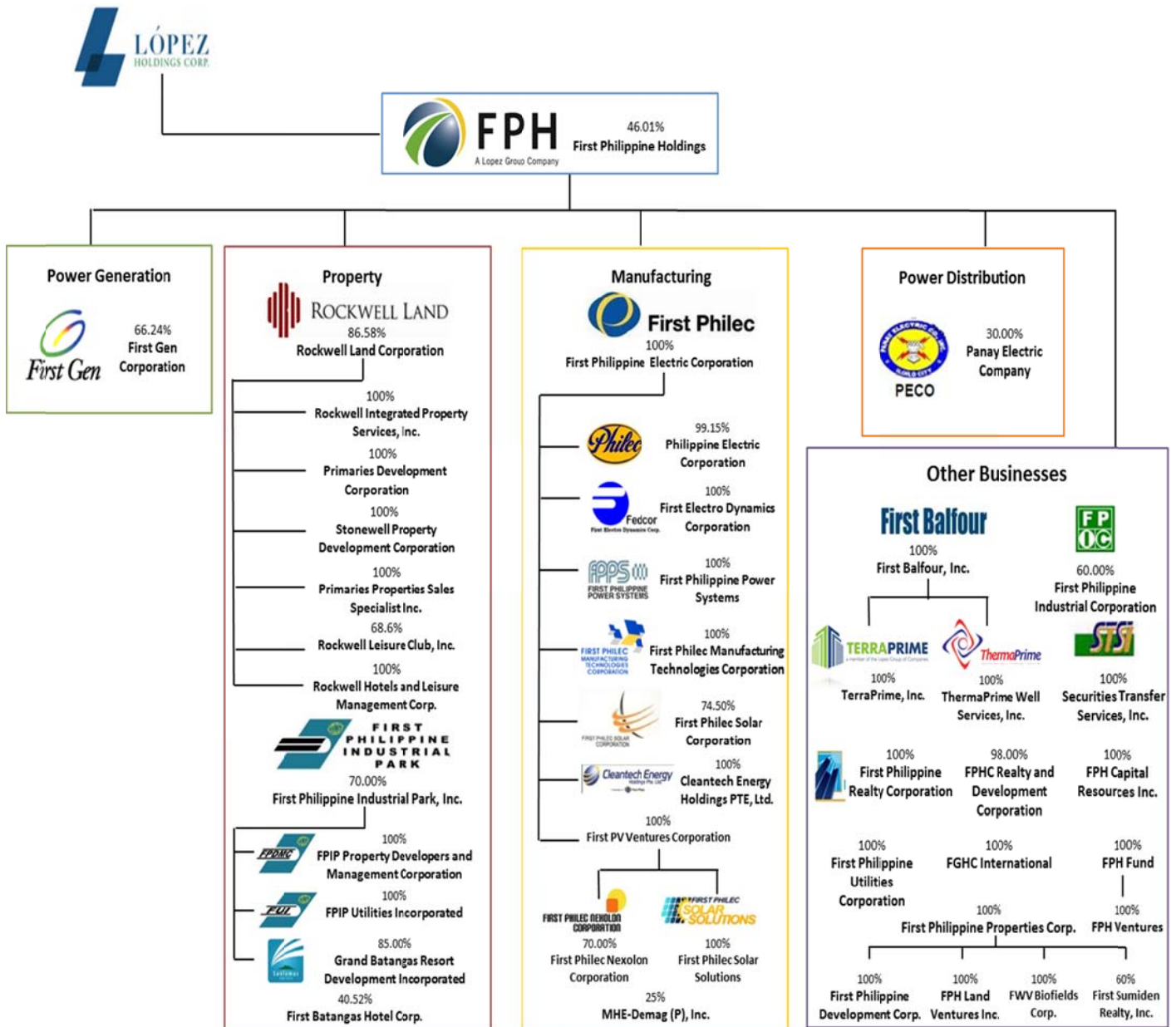
(Amounts in U.S. Dollars and in Thousands)

Unappropriated retained earnings, beginning		\$458,072
Add (less) adjustments:		
Non-actual/ unrealized income (net of tax) from previous periods	(\$42,124)	
Impact of effectivity of PAS19, Employee Benefits (Revised)	(2,059)	
Treasury shares	(80,557)	(124,740)
Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning		333,332
Net income during the period closed to retained earnings	41,568	
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	824	
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	(824)	
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		40,744
Add (less):		
Dividends declaration during the period	(81,022)	
Appropriations of retained earnings during the period	—	
Reversals of appropriations	—	
Effects of prior period adjustments	—	
Treasury shares	—	
		(81,022)
TOTAL RETAINED EARNINGS, AS ADJUSTED TO AVAILABLE FOR DIVIDEND DECLARATION, END		\$293,054

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE LOPEZ GROUP



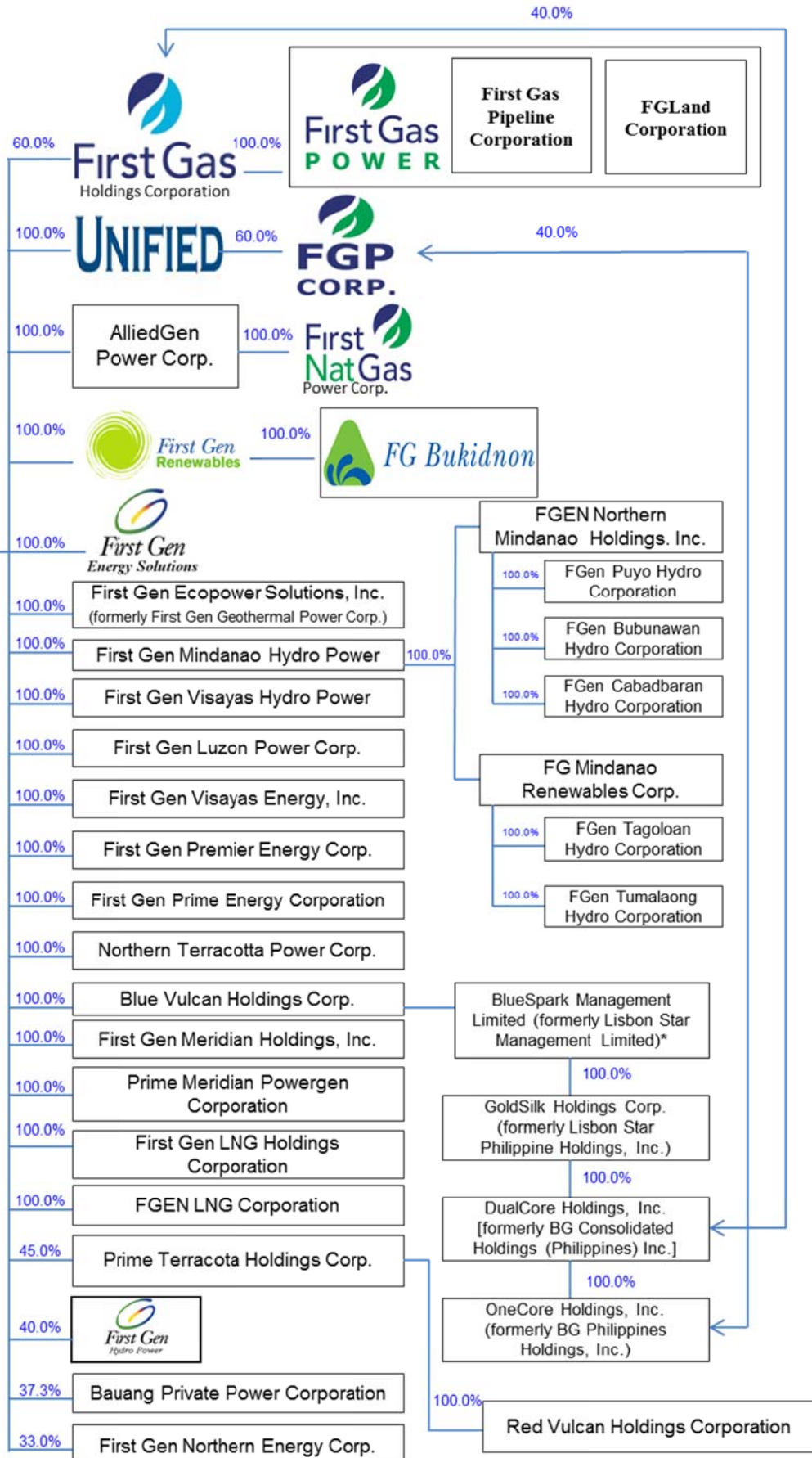
Legend:
E = Economic
V = Voting



*FPH's Corporate Structure as of December 31, 2013

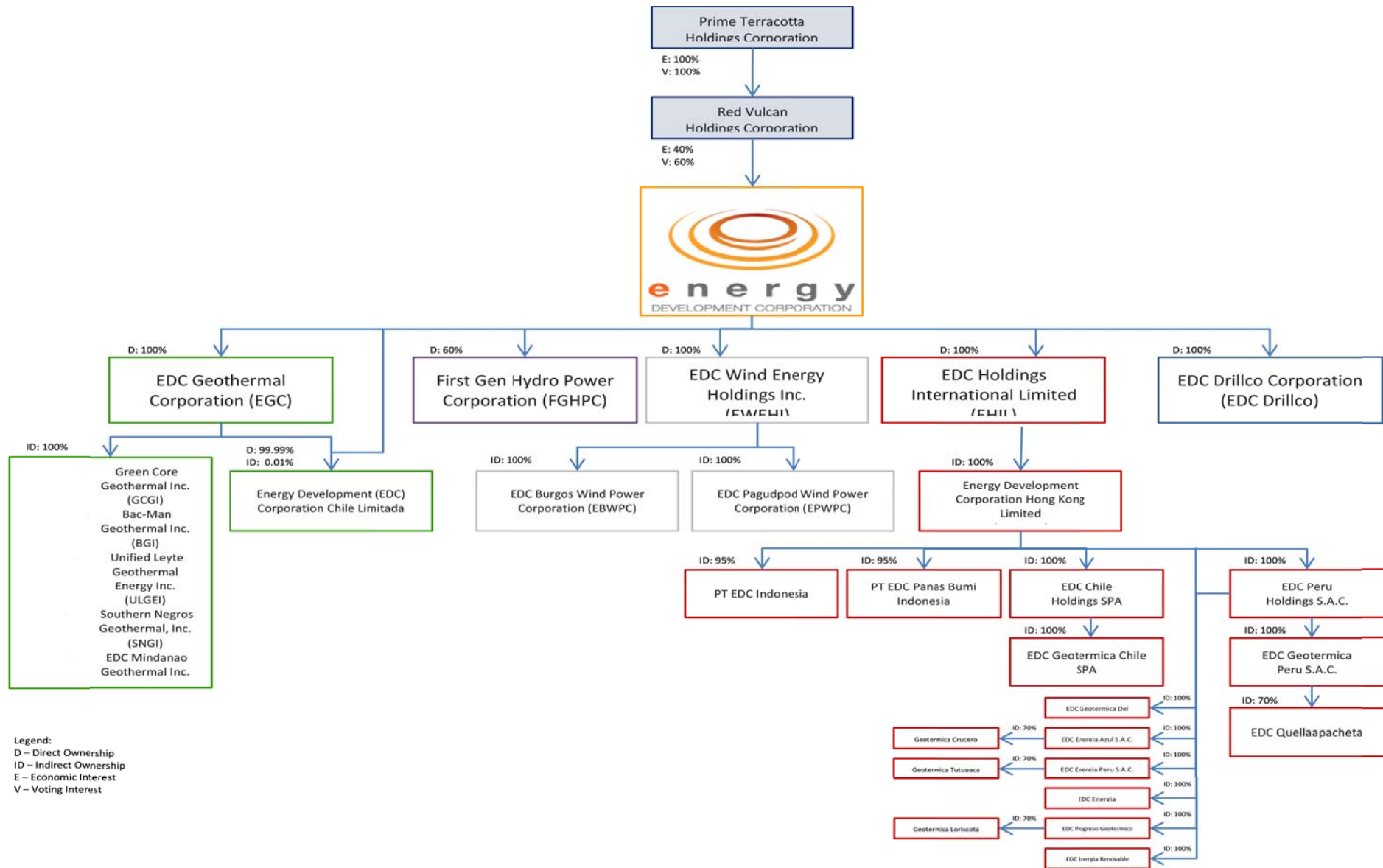


Economic = 66.2%



* Incorporated in British Virgin Islands

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



FIRST GEN CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS
AND INTERPRETATIONS
DECEMBER 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS	Not early adopted		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Definition of Vesting Conditions	Not early adopted		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	Not early adopted		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements	Not early adopted		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	Not early adopted		
PFRS 9	Financial Instruments	Not early adopted; no mandatory effectivity date		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	Not early adopted		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Investment Entities	Not early adopted		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term Receivables and Payables	Not early adopted		
	Amendments to PFRS 13: Portfolio Exception	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	Not early adopted		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	✓		
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	Not early adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	Not early adopted		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Not early adopted		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	Not early adopted		
PAS 36	Impairment of Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	Not early adopted		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Not early adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Not early adopted		
PAS 40	Investment Property			✓
	Amendment to PAS 40: Investment Property	Not early adopted		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate	Not early adopted; deferred effectivity		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	Not early adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

EXHIBIT “D”

**REPORT OF THE AUDIT COMMITTEE
FOR THE YEAR 2013**



REPORT OF THE AUDIT COMMITTEE
OF
FIRST GEN CORPORATION
(For the year ended December 31, 2013)

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 2013.
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, 2013, 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 deposits for future stock subscriptions into equity;
 - Issuance of comfort letters in relation to First Gen's US\$300MM notes offering; 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, 2013 and 2012 be included in the Annual Report for the year ended December 31, 2013, 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 2014 – 2015. This recommendation is made based on the review of the performance and qualifications of SyCip Gorres Velayo & Co.

March 14, 2014.



JAIME I. AYALA
Chairman



TONY TAN CAKTIONG
Member



PETER D. GARRUCHO JR.
Member



ELPIDIO L. IBÁÑEZ
Member