SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2012**
2. Commission identification number **A1998-18260**
3. BIR Tax Identification No. **202-464-633-000**
4. Exact name of issuer as specified in its charter **FIRST GEN CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization **Philippines**
6. Industry Classification Code: [ ] (SEC Use Only)

   ....
7. Address of issuer's principal office Postal Code

   3rd Floor Benpres Building, Exchange Road cor. Meralco Ave., Pasig City
8. Issuer's telephone number, including area code **(632) 449-6400**
9. Former name, former address and former fiscal year, if changed since last report **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	**Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding *(as of April 30, 2012)***
Common Stock	3,362,817,768 shares
Bonds	None

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

    Yes [**X**] No [ ]

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

    The Company's common shares are listed with the Philippine Stock Exchange, Inc. (PSE),

    Its Series "F" preferred shares which were issued in July 2011 by way of private placement or to Qualified Buyers under Section 10.1(k) and (l) of the Securities Regulation Code, are likewise listed with the PSE.

    Its US$260.0 million, 2.50% Convertible Bonds due in 2013 are listed with the Singapore Exchange Securities Trading Limited.

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26

and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Attached to this report as ***Annex "A"*** are the Corporation's unaudited consolidated financial statements as of and for the periods ended March 31, 2012 and 2011.

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

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

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; and
(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.

Equity in net earnings from associates include: (i) Energy Development Corporation (EDC), with an aggregate installed capacity of approximately 1,129.4 MW of geothermal power; and (ii) First Gen Hydro Power Corporation (FG Hydro) which operates the rehabilitated and upgraded 132 MW Pantabangan-Masiway hydroelectric power plants. First Gen's indirect 40.0% economic interest in EDC is held through Prime Terracota Holdings Corp. (Prime Terracota) and Red Vulcan Holdings Corporation (Red Vulcan), while it directly owns a 40.0% economic interest in FG Hydro. As of March 31, 2012, the Parent Company also directly and indirectly owns 1.65 billion common shares in EDC, of which 658.7 million common shares are held through its wholly-owned subsidiary, Northern Terracotta Power Corporation. The 1.65 billion common shares are equivalent to an 8.80% direct economic interest in EDC.

The following discussion focuses on the results of operations of First Gen and its power generating companies. As of March 31, 2012, 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% interest.

- 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 is 60.0% owned by First Gen and 40.0% owned by BG Consolidated Holdings (Philippines), Inc. (BG). 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.

- 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 (FGBHPP). The run-of-river plant consists of two 800-kW turbine generators that use water from the Agusan River to generate electricity. It is connected to the local distribution grid of the Cagayan Electric Power & Light Company, Inc. (CEPALCO) via the 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 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 12 geothermal steamfields in the five geothermal service contract areas where it is principally involved in: (i) the production of geothermal steam for sale to National Power Corporation (NPC); and (ii) the generation and sale of electricity through EDC-owned geothermal power plants to NPC and various other offtakers.

  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 Prime Terracota, Red Vulcan, EDC and FG Hydro (collectively referred to as the Prime Terracota Group) in First Gen's consolidated financial statements effective May 2009. Thereafter, First Gen's investment in Prime Terracota has been accounted for using the equity method in the consolidated financial statements of First Gen as it still retains influence over Prime Terracota through its 45.0% voting interest.

- 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 after the transaction is 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 to 132 MW.

- First Private Power Corporation (FPPC) was established on November 27, 1992 primarily to engage in power generation. FPPC was 40.0%-owned by First Gen. FPPC owned a 93.25% interest in Bauang Private Power Corporation (BPPC). BPPC was incorporated on February 3, 1993 and operated the Bauang power plant in Payocpoc Sur, Bauang, La Union, a 225 MW bunker-fired power plant which had a Build Operate Transfer Agreement (BOT) with NPC for a period of fifteen (15) years from July 25, 1995 until July 25, 2010. BPPC's BOT contract with NPC expired on July 25, 2010 and the Bauang power plant was turned-over to NPC on the same date. On November 15, 2010, BPPC and FPPC filed an application to be merged into one entity, with the former as the surviving entity. The application for merger was approved by the Philippine Securities and Exchange Commission (SEC) on December 13, 2010, and the assets and liabilities of FPPC have been

transferred to, and absorbed by, BPPC on December 15, 2010, the effectivity date of the merger. On March 3, 2011, BPPC's board of directors and stockholders approved the amendment to Article VI (b) of the Plan of Merger amending the number of shares of stock issued to BPPC shareholders. The Amended Plan of Merger was approved by the SEC on July 14, 2011 and the resulting percentage of ownership of First Gen in BPPC is 37.3%. On August 11, 2011, BPPC's board of directors and stockholders approved the amendment to Article VII of the Amended Articles of Incorporation of BPPC decreasing the authorized capital stock, which was subsequently approved by the SEC on December 1, 2011.

A. FINANCIAL RESULTS FOR THE PERIODS ENDED MARCH 31, 2012 AND 2011

	CONSOLIDATED (Unaudited) For the periods ended March 31	
Statements of Income Data (Amounts in USD thousands)	**2012**	**2011**
Revenues	390,596	317,270
Income from before income tax	74,250	43,084
Net income attributable to Equity Holders of the Parent Company	**52,116**	**19,205**

	As of the periods ended March 31		For the year ended December 31
Statements of Financial Position Data (Amounts in USD thousands)	**2012** (Unaudited)	**2011** (Unaudited)	**2011** (Audited)
ASSETS			
Total Current Assets	600,257	548,651	560,634
Investment in associates	1,350,621	1,257,948	1,294,782
Property, plant and equipment – net	505,662	565,879	520,877
Goodwill and Intangible assets	16,616	17,219	16,768
Deferred income tax assets – net	4,542	4,461	3,210
Other noncurrent assets	170,059	163,029	160,340
Total Assets	**2,647,757**	**2,557,187**	**2,556,611**
LIABILITIES AND EQUITY			
Total Current Liabilities	334,143	351,420	254,336
Convertible bonds - net of current portion	-	132,096	84,662
Long-term debt - net of current portion	794,111	806,722	746,762
Derivative liabilities - net of current portion	55,726	35,752	58,352
Retirement liability	455	167	273
Deferred income tax liabilities – net	3,502	10,671	4,254
Other noncurrent liabilities	1,178	29,211	1,155
Total Liabilities	**1,189,115**	**1,366,039**	**1,149,794**
Equity Attributable to Equity Holders of the Parent Company	1,262,354	1,018,262	1,226,187
Non-controlling Interests	196,288	172,886	180,630
Total Equity	**1,458,642**	**1,191,148**	**1,406,817**
Total Liabilities and Equity	**2,647,757**	**2,557,187**	**2,556,611**

RESULTS OF OPERATIONS

For the quarter ended March 31, 2012 vs. March 31, 2011 Results

CONSOLIDATED STATEMENTS OF INCOME

Revenues

For the first quarter of 2012, First Gen booked revenues of $390.6 million, a $73.3 million, or 23.1%, increase over the revenues recognized in the same period in the previous year.

The increase was mostly a result of the higher revenues from the sale of electricity by $47.3 million, or 15.7%. This was primarily a result of higher fuel prices during the first quarter (an average price of $13.3/MMBtu in 2012, compared to $10.5/MMBtu in 2011), though partially offset by a lower average dispatch during the period (a combined net capacity factor of 83.0% in 2012 compared to 87.0% in 2011) due to scheduled minor outages of the Santa Rita and San Lorenzo power plants.

Equity in net earnings of associates also increased by $26.8 million, or 210.6%, mainly due to the higher earnings of EDC as a result of the increased contribution of Green Core Geothermal Inc. (GCGI) following the re-pricing of its offtake agreements that became effective mid-2011. Equity in net earnings was further augmented by the increased revenues of FG Hydro resulting from higher electricity sales mainly through fresh revenues from ancillary services, as well as the lower interest expense of Red Vulcan following the partial prepayment of its outstanding loan in 2011.

These were partially offset by the decrease in the mark-to-market (MTM) gain on derivatives by $0.7 million primarily due to the absence of MTM gains recognized in 2011 that pertained to the Company's call option to purchase EDC shares.

Net Income

First Gen's unaudited consolidated net income increased by $34.4 million, or 106.5%, to $66.6 million for the first quarter of 2012 from $32.2 million during the same period in 2011. The increase in net income was a result of the movements of the following items:

- higher equity in net earnings of associates by $26.8 million as a result of increased contributions of EDC and FG Hydro, as well as the lower expenses of Red Vulcan. The increase in earnings of EDC was primarily attributable to the re-pricing of GCGI's offtake contracts, while FG Hydro enjoyed greater revenues from electricity sales through ancillary services. The lower interest expense at Red Vulcan further increased the positive contribution from the Prime Terracota Group;

- lower interest expenses by $3.4 million due to the full prepayment of the Unified loan in July 2011, the buyback of Convertible Bonds, and the scheduled principal payments of FGPC's and FGP's loans, partially offset by the additional interest expense following the drawdown of the remaining $49.0 million of the $100 million Notes Facility in January 2012;

- lower provision for income taxes by $3.2 million primarily due to the greater benefit from deferred income tax as a result of the appreciation of the Philippine Peso in the first quarter of 2012 and lower current income tax as both FGPC and FGP availed to use the Optional Standard Deduction (OSD) for income tax purposes in 2012;

- a smaller foreign exchange loss by $0.5 million as a result of the effect of a larger appreciation of the Philippine Peso versus the U.S. Dollar during the first quarter of 2012 as compared to the first quarter of 2011. Such foreign exchange losses arose from the Parent Company's peso-denominated cash balances from the issuance of the Series "F" perpetual preferred shares (Series F Preferred Shares); and,

- higher interest income by $0.5 million due to a higher average cash balance for the first three months of 2012 compared to 2011.

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

- a lower MTM gain on derivative transactions by $0.7 million, which was mainly a result of the absence of MTM gains recognized in 2011 relating to the Parent Company's call option to purchase EDC shares; and,

- higher administrative expenses by $0.7 million mainly due to increased taxes and licenses related to the expected issuance of the ₽10.0 billion Series "G" perpetual preferred shares (Series G Preferred Shares) in 2012.

Net Income Attributable to Equity Holders of the Parent Company

For the three months ended March 31, 2012, the Parent Company recognized an attributable net income of $52.1 million, which was $32.9 million, or 171.4%, greater than the $19.2 million income that was recognized for the same period in 2011. The increase in net income attributable to the Parent Company was mainly due to the movements of the following factors:

- higher net income contribution of EDC by $10.7 million, or 84.3%, mainly resulting from the increased contribution of GCGI following the re-pricing of its offtake contracts that became effective mid-2011;

- higher net income contribution of FG Hydro by $14.9 million, or 519.9%, due to higher electricity sales mainly through fresh revenues from ancillary services;

- lower expenses of Unified by $4.4 million due to the full prepayment of its loan last July 2011;

- increased attributable income from FGPC by $1.3 million, or 12.8%, due to a larger benefit from deferred income tax as a result of the appreciation of the Philippine Peso and lower interest expenses following the scheduled payments of its loans; and,

- lower expenses of Red Vulcan by $1.2 million following the partial prepayment of its debt in 2011.

Adjusting for non-recurring items such as movements in deferred income taxes, unrealized foreign exchange differences, derivative transactions, and other such non-recurring items, First Gen's recurring net income attributable to the Parent Company was $47.2 million for first three months of 2012. This was $30.8 million, or 187.1%, higher than the recurring net income of $16.4 million for the same period in 2011. The increase was primarily due to the increased income contributions of EDC and FG Hydro, as well as the reduction of the interest expense of Unified and Red Vulcan.

Amount in USD thousands	**2012**	**2011**
Net income attributable to the Parent Company	52,116	19,205
Adjustment of non-recurring items attributable to the Parent Company:		
Movement in deferred income tax of FGPC and FGP	(1,999)	(972)
Movement in deferred income tax of EDC	858	(973)
Unrealized foreign exchange loss of Parent, FGPC, FGP and Unified	296	1,245
Unrealized foreign exchange gain of EDC and FG Hydro	(3,804)	(805)
MTM gain on derivatives of Parent	(228)	(905)
MTM gain on derivatives of EDC	-	(342)
Recurring Net Income attributable to Parent Company	**47,239**	**16,453**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

Major movements in the unaudited consolidated statements of financial position of the First Gen group resulted in a net increase to the group's total consolidated assets by $90.6 million, or 3.5%, to $2,647.8 million as of March 31, 2012 from $2,557.2 million as of March 31, 2011. The increase was a result of the following movements in major accounts:

- Investments in associates increased by $92.7 million, or 7.4%, in 2012 due to the purchase of EDC shares in the market by the Parent Company and Northern Terracotta. As of March 31, 2012, First Gen's direct and indirect investment in EDC totaled to 8.8% ownership on top of the 40% economic interest directly owned by Prime Terracota through Red Vulcan, compared with 4.2% as of the same date in 2011.

- Receivables increased by $57.7 million, or 39.2%, mostly due to the higher trade receivables of FGPC and FGP due to a portion of the February 2012 billing to Meralco still being outstanding as of the end of March, as well as the increased fuel charges during the period as a result of the higher average gas prices in 2012.

- Inventories increased by $19.2 million, or 37.7%, due to an increase in fuel reserves by FGPC and FGP following the additional fuel imported in the fourth quarter of 2011. The increase in fuel inventory is in preparation for the scheduled Malampaya outage in July 2012.

- Other noncurrent assets increased by $7.0 million, or 4.3%, primarily due to the increase in prepaid major spare parts due to the capitalized O&M fees to cover the estimated cost of the new turbine blades that will be replaced in the next scheduled major maintenance outage of FGPC and FGP. This was offset by the full utilization of prepaid gas during the latter part of 2011 and the scheduled repayment of the advances made to BG.

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

- Property, plant and equipment decreased by $60.2 million, or 10.6%, due to the depreciation of plant machinery and equipment of FGPC and FGP during the period.

- Cash and cash equivalents decreased by $15.3 million, or 4.9%, primarily due to the full prepayment of the Unified loan in July 2011, the buyback of Convertible Bonds, the principal and interest payments on other existing loans, and additional investments in EDC shares. This was partially offset by the issuance of the ₱10.0 billion Series F Preferred Shares and the drawdown of the remaining $49.0 million of the $100.0 million Notes Facility.

- Other current assets decreased by $10.0 million, or 25.7%, primarily due to the decrease in FGP's prepaid taxes following the sale of Bureau of Customs (BOC)-issued Tax Credit Certificates (TCCs). The Parent Company also no longer recognized the current portion of the option asset following the full exercise of its call option to purchase an aggregate of 585.0 million EDC shares in April 2011.

LIABILITIES AND EQUITY

Total liabilities decreased by $176.9 million, or 13.0%, to $1,189.1 million as of March 31, 2012 from $1,366.0 million as of March 31, 2011 due to the following major movements:

- Total long-term debt decreased by $126.7 million, or 12.9%, primarily due to the full prepayment of the Unified loan in July 2011, as well as the lower outstanding debts of FGPC and FGP following the scheduled principal payments of their respective loans. This was partially offset by the higher debt at the Parent Company as the remaining $49.0 million of the $100.0 million Notes Facility was drawn in January 2012.

- Total bonds payable decreased by $50.1 million, or 37.9%, resulting from the buyback of the Convertible Bonds.

- Other noncurrent liabilities decreased by $28.0 million, or 96.0%, due to the full utilization of the remaining prepaid gas by the gas plants in November 2011, which led to the realization of the "Unearned revenues" account.

- Deferred income tax liabilities decreased by $7.1 million, or 67.2%, primarily due to the unfavorable movements in the MTM valuation of FGPC's interest rate swaps owing to a decrease in projected LIBOR rates as of March 2012 as compared to March 2011. This increased derivative liabilities and thereby resulted in a decrease of deferred income tax liabilities.

- Income tax payable decreased by $1.7 million, or 14.1%, primarily due to the increased creditable withholding taxes of FGPC and FGP in 2012 partially offset by the larger provision for income taxes resulting from higher gross income in the fourth quarter of 2011 and the first quarter of 2012.

The above reductions in the liabilities of First Gen group were partially offset by the following movements:

- Total derivative liabilities increased by $20.5 million, or 57.4%, mainly as a result of the unfavorable movements in the MTM valuation of FGPC's interest rate swaps. This was partially offset by the settlement of a portion of the interest rate swaps that were due in May and November 2011.

- Accounts payable and accrued expenses increased by $15.9 million, or 10.0%, mainly attributable to higher net trade payables of FGPC and FGP to Shell Philippines Exploration B.V. (SPEX) as a result of the higher gas prices during the period. This was partially offset by lower accrued expenses following the full prepayment of the Unified loan.

Total equity increased by $267.5 million, or 22.5%, to $1,458.6 million as of March 31, 2012 as compared to $1,191.1 million as of March 31, 2011. This increase was mainly attributable to the issuance of the Series F Preferred Shares by the Parent Company in July 2011 and the increase in "Retained earnings" and "Non-controlling interest" accounts due to the earnings of the subsidiaries during the period. These were partially offset by the increase in the accumulated share in other comprehensive losses of associates and the cumulative translation adjustments resulting from the effects of the movements in the foreign exchange rate, as well as the movements in the MTM valuation of FGPC's and FGP's interest rate swaps.

FIRST GEN MATERIAL CHANGES IN FINANCIAL CONDITION (March 2012 vs. March 2011)

CONSOLIDATED STATEMENTS OF INCOME

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

			HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
(Amounts in U.S.Dollars and in Thousands)	**Mar. 2012**	**Mar. 2011 (Restated)**	**2012 vs. 2011**	**2012 vs. 2011**	**Mar. 2012**	**Mar. 2011**
REVENUE						
Sale of electricity	347,772	300,472	47,300	15.7%	89.0%	94.7%
Interest Income	2,088	1,606	482	30.0%	0.5%	0.5%
Mark-to-market gain on derivatives – net	227	905	(678)	-74.9%	0.1%	0.3%
Equity in net earnings of associates	39,543	12,731	26,812	210.6%	10.1%	4.0%
Others	966	1,556	(590)	-37.9%	0.2%	0.5%
TOTAL REVENUES	390,596	317,270	73,326	23.1%	100.0%	100.0%
Cost of Services and Expenses						

Cost of sale of electricity						
Fuel cost	(260,935)	(213,822)	(47,113)	22.0%	-66.8%	-67.4%
Depreciation and amortization	(15,471)	(15,455)	(16)	0.1%	-4.0%	-4.9%
Power plant operations and maintenance	(9,394)	(10,337)	943	-9.1%	-2.4%	-3.3%
General and administrative						
Staff costs	(2,226)	(3,121)	895	-28.7%	-0.6%	-1.0%
Other administrative expenses	(8,175)	(7,476)	(699)	9.3%	-2.1%	-2.4%
Sub-total	(296,201)	(250,211)	(45,990)	18.4%	-75.8%	-78.9%
Interest expense and financing charges	(19,120)	(22,538)	3,418	-15.2%	-4.9%	-7.1%
Foreign exchange loss – net	(849)	(1,363)	514	-37.7%	-0.2%	-0.4%
Others	(176)	(74)	(102)	137.8%	0.0%	0.0%
Total	(316,346)	(274,186)	(42,160)	15.4%	-81.0%	-86.4%
INCOME BEFORE INCOME TAX	74,250	43,084	31,166	72.3%	19.0%	13.6%
Provision for (benefit from) Income Tax						
Current	10,978	12,452	(1,474)	-11.8%	2.8%	3.9%
Deferred	(3,332)	(1,620)	(1,712)	105.7%	-0.9%	-0.5%
	7,646	10,832	(3,186)	-29.4%	2.0%	3.4%
NET INCOME	66,604	32,252	34,352	106.5%	17.1%	10.2%
Attributable to:						
Equity holders of the Parent Company	52,116	19,205	32,911	171.4%	13.3%	6.1%
Non-controlling Interests	14,488	13,047	1,441	11.0%	3.7%	4.1%

Revenues

Revenues for the quarter ended March 31, 2012 increased by $73.3 million, or 23.1%, to $390.6 million as compared to $317.3 million for the same quarter in 2011. The increase was due to the movements in the major revenue items as explained in detail below:

Revenue from sale of electricity

Revenues from the sale of electricity in the first quarter increased by $47.3 million, or 15.7%, to $347.8 million in 2012, compared to $300.5 million in 2011 mainly due to higher fuel charges during the period. Fuel charges were higher by $46.8 million, or 21.9%, in 2012 as a result of the increase in fuel prices, (an average price of $13.3/MMBtu in 2012, compared to $10.5/MMBtu in 2011). This was further increased by revenues from supplemental payments and excess generation, but were partially offset by a lower variable O&M charge as a result of the lower dispatch during the period (Santa Rita and San Lorenzo posted a combined net capacity factor of 83.0% for the first three months of 2012, compared to 87.0% during the same period in the previous year) due to scheduled minor outages.

Interest income

Interest income increased by $0.5 million, or 30.0%, to $2.1 million in 2012 primarily due to the increased interest income of the Parent. This resulted from higher average cash balance of the Parent following the drawdown of the remaining $49.0 million of the $100.0 million Notes Facility on January 2, 2012.

Mark-to-market gain on derivatives – net

For the first three months of 2012, the Company recognized a $0.2 million gain on derivative transactions relating to the fair value of its foreign currency forwards. This was a $0.7 million decrease compared to the same period in the previous year wherein a $0.9 million gain was recognized, primarily relating to First Gen's call option to purchase EDC shares.

The derivative gains related to the EDC shares arose from the difference between the market price and the call option price at the time the option was exercised. On April 19, 2010, First Gen entered

into a Call Option Agreement to purchase an aggregate of 585.0 million common shares of EDC for a period of three years (up to April 2013) with one third of the options expiring at the end of each year. As of March 31, 2011, a third of the options representing 195.0 million shares had been exercised at a price of ₱5.67 per share versus the then market price of ₱5.91 per share. As of March 31, 2012, the call option to purchase the EDC shares has been fully exercised.

Equity in net earnings of associates
The equity in net earnings from associates increased by $26.8 million, or 210.6%, to $39.5 million for the first three months of 2012 from $12.7 million in 2011 mainly due to the higher earnings of EDC and FG Hydro, as well as the lower expenses of Red Vulcan.

The Company's share in the earnings of EDC for the first quarter of 2012 increased by $10.7 million, or 84.3%, mainly as a result of the increased contribution of GCGI following the re-pricing of its offtake contracts that became effective mid-2011. The Company's share in FG Hydro's direct and indirect (through EDC) earnings also rose by $14.9 million, or 519.9%, mainly as a result of higher electricity sales mainly through fresh revenues from ancillary services it began providing in August 2011. Finally, the interest expense of Red Vulcan was lower by $1.1 million, or 39.7%, following the partial prepayment of its debt in 2011.

Other revenues
Other revenues decreased by $0.6 million, or 37.9%, to $1.0 million in 2012 from $1.6 million during the previous year. The decrease was primarily attributable to the absence of the $0.5 million gain recognized in 2011 that resulted from FGPC's and FGP's purchase of TCCs.

Cost of Services and Expenses

Cost of services and expenses for the quarter ended March 31, 2012 increased by $46.0 million, or 18.4%, to $296.2 million as compared to $250.2 million 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 $47.1 million, or 22.0%, to $260.9 million in 2012, from $213.8 million in 2011. This was primarily due to higher average fuel prices in the first quarter of 2012 ($13.3/MMBtu) as compared to the same quarter in 2011 ($10.5/MMBtu).

Power plant operations and maintenance
Expenses relating to power plant operations and maintenance decreased by $0.9 million, or 9.1%, to $9.4 million in 2012 from $10.3 million in 2011. This was mainly attributable to lower variable charges of $0.7 million as a result of the lower dispatch during the period.

Staff Costs
Staff costs decreased by $0.9 million, or 28.7%, to $2.2 million in 2012 mainly due to the assignment of personnel from the Parent Company to EDC.

Other administrative expenses
Other administrative expenses increased by $0.7 million, or 9.3%, in 2012 mostly due to increased taxes and licenses by $0.4 million and professional fees by $0.2 million mainly due to SEC and PSE filing fees, as well as other expenses related to the issuance of the Series G Preferred Shares.

Interest expense and financing charges
Interest expense and financing charges decreased by $3.4 million, or 15.2%, to $19.1 million in 2012 from $22.5 million in 2011. This was largely a result of the full prepayment of the Unified loan, the buyback of the Convertible Bonds, and the scheduled principal payments of FGPC's and FGP's loans. These were partially offset by the increased interest expense of the Parent following the drawdown of the remaining $49.0 million of the $100 Million Notes Facility last January 2, 2012.

For the first three months of 2011, Unified booked an interest expense of $3.3 million. The subsequent prepayment of the entire loan last July 2011 led to the elimination of this account in 2012.

Foreign exchange loss – net

Foreign exchange losses decreased by $0.5 million, or 37.7%, to $0.9 million in 2012 as compared to $1.4 million in 2011. This was mostly attributable to the Parent Company, which booked a $0.5 million gain resulting from the appreciation of the Philippine Peso (₱42.92:$1.00 as of March 2012 compared to ₱43.84:$1.00 as of December 2011) as it held onto the Peso-denominated proceeds of the Series F Preferred Shares, compared to a $0.3 million loss booked in 2011. Foreign exchange losses were also further reduced by the absence of losses from Unified following the prepayment of its Peso-denominated loan in July 2011.

These were partially offset by greater losses from FGPC and FGP due to the foreign exchange movements of its Peso- and Euro-denominated liabilities.

Provision for (benefit from) Income Tax

The lower provision for income tax by $3.2 million, or 29.4%, was mainly due to the greater benefit from deferred income tax as a result of the greater appreciation of the Philippine Peso in the first quarter of 2012 (from ₱43.84:$1.00 in December 2011 to ₱42.92:$1.00 in March 2012) as opposed to the first quarter of 2011 (from ₱43.84:$1.00 in December 2010 to ₱43.39:$1.00 in March 2011).

Net Income

First Gen's unaudited consolidated net income increased by $34.4 million, or 106.5%, to $66.6 million for the first quarter of 2012 from $32.2 million during the same period in 2011. The increase in net income was a result of the movements of the following items:

- higher equity in net earnings of associates by $26.8 million as a result of increased contributions of EDC and FG Hydro, as well as the lower expenses of Red Vulcan. The increase in earnings of EDC was primarily attributable to the re-pricing of GCGI's offtake contracts, while FG Hydro enjoyed greater revenues from electricity sales through ancillary services. The lower interest expense at Red Vulcan further increased the positive contribution from the Prime Terracota Group;

- lower interest expenses by $3.4 million due to the full prepayment of the Unified loan in July 2011, the buyback of Convertible Bonds, and the scheduled principal payments of FGPC's and FGP's loans, partially offset by the additional interest expense following the drawdown of the remaining $49.0 million of the $100 million Notes Facility in January 2012;

- lower provision for income taxes by $3.2 million primarily due to the greater benefit from deferred income tax as a result of the appreciation of the Philippine Peso in the first quarter of 2012 and lower current income tax as both FGPC and FGP availed to use the OSD for income tax purposes in 2012;

- a smaller foreign exchange loss by $0.5 million as a result of the effect of a larger appreciation of the Philippine Peso versus the U.S. Dollar during the first quarter of 2012 as compared to the first quarter of 2011. Such foreign exchange losses arose from the Parent Company's peso-denominated cash balances from the issuance of the Series F Preferred Shares; and,

- higher interest income by $0.5 million due to a higher average cash balance for the first three months of 2012 compared to 2011.

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

- a lower MTM gain on derivative transactions by $0.7 million, which was mainly a result of the absence of MTM gains recognized in 2011 relating to the Parent Company's call option to purchase EDC shares; and,

- higher administrative expenses by $0.7 million mainly due to increased taxes and licenses related to the expected issuance of the Series G Preferred Shares in the 2nd quarter of 2012.

Net Income Attributable to Equity Holders of the Parent Company

For the three months ended March 31, 2012, the Parent Company recognized an attributable net income of $52.1 million, which was $32.9 million, or 171.4%, greater than the $19.2 million income that was recognized for the same period in 2011. The increase in net income attributable to the Parent Company was mainly due to the movements of the following factors:

- higher net income contribution of EDC by $10.7 million, or 84.3%, mainly resulting from the increased contribution of GCGI following the re-pricing of its offtake contracts that became effective mid-2011;

- higher net income contribution of FG Hydro by $14.9 million, or 519.9%, due to higher electricity sales mainly through fresh revenues from ancillary services;

- lower expenses of Unified by $4.4 million due to the full prepayment of its loan last July 2011;

- increased attributable income from FGPC by $1.3 million, or 12.8%, due to a larger benefit from deferred income tax as a result of the appreciation of the Philippine Peso and lower interest expenses following the scheduled payments of its loans; and,

- lower expenses of Red Vulcan by $1.2 million following the partial prepayment of its debt in 2011.

Adjusting for non-recurring items such as movements in deferred income taxes, unrealized foreign exchange differences, derivative transactions, and other such non-recurring items, First Gen's recurring net income attributable to the Parent Company was $47.2 million for first three months of 2012. This was $30.8 million, or 187.1%, higher than the recurring net income of $16.4 million for the same period in 2011. The increase was primarily due to the increased income contributions of EDC and FG Hydro, as well as the reduction of the interest expense of Unified and Red Vulcan.

Amount in USD thousands	**2012**	**2011**
Net income attributable to the Parent Company	52,116	19,205
Adjustment of non-recurring items attributable to the Parent Company:		
Movement in deferred income tax of FGPC and FGP	(1,999)	(972)
Movement in deferred income tax of EDC	858	(973)
Unrealized foreign exchange loss of Parent, FGPC, FGP and Unified	296	1,245
Unrealized foreign exchange gain of EDC and FG Hydro	(3,804)	(805)
MTM gain on derivatives of Parent	(228)	(905)
MTM gain on derivatives of EDC	-	(342)
Recurring Net Income attributable to Parent Company	**47,239**	**16,453**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

(Amounts in U.S. Dollars and in Thousands)	Mar-12	Mar-11	HORIZONTAL ANALYSIS 2012 vs. 2011		VERTICAL ANALYSIS	
	(Unaudited)	*(Unaudited)*	Amount	%	Mar-12	Mar-11
ASSETS						
Current Assets						
Cash and cash equivalents	295,993	311,289	(15,296)	-4.9%	11.2%	12.2%
Receivables	205,033	147,321	57,712	39.2%	7.7%	5.8%
Inventories	70,231	50,998	19,233	37.7%	2.7%	2.0%
Other current assets	29,000	39,043	(10,043)	-25.7%	1.1%	1.5%
Total Current Assets	**600,257**	**548,651**	**51,606**	**9.4%**	**22.7%**	**21.5%**
Noncurrent Assets						
Investment in associates	1,350,621	1,257,948	92,673	7.4%	51.0%	49.2%
Property, plant and equipment – net	505,662	565,879	(60,217)	-10.6%	19.1%	22.1%
Goodwill and Intangible assets	16,616	17,219	(603)	-3.5%	0.6%	0.7%
Deferred income tax assets – net	4,542	4,461	81	1.8%	0.2%	0.2%
Other noncurrent assets	170,059	163,029	7,030	4.3%	6.4%	6.4%
Total Noncurrent Assets	**2,047,500**	**2,008,536**	**38,964**	**1.9%**	**77.3%**	**78.5%**
TOTAL ASSETS	**2,647,757**	**2,557,187**	**90,570**	**3.5%**	**100.0%**	**100.0%**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	174,577	158,685	15,892	10.0%	6.6%	6.2%
Income tax payable	10,261	11,944	(1,683)	-14.1%	0.4%	0.5%
Due to related parties	6,725	6,700	25	0.4%	0.3%	0.3%
Current portion of:						
Convertible bonds	82,005	-	82,005	100.0%	3.1%	0.0%
Long-term debt	60,027	174,091	(114,064)	-65.5%	2.3%	6.8%
Derivative liabilities	548	-	548	100.0%	0.0%	0.0%
Total Current Liabilities	**334,143**	**351,420**	**(17,277)**	**-4.9%**	**12.6%**	**13.7%**
Noncurrent Liabilities						
Convertible bonds - net of current portion	-	132,096	(132,096)	-100.0%	0.0%	5.2%
Long-term debt - net of current portion	794,111	806,722	(12,611)	-1.6%	30.0%	31.5%
Derivative liabilities - net of current portion	55,726	35,752	19,974	55.9%	2.1%	1.4%
Retirement liability	455	167	288	172.5%	0.0%	0.0%
Deferred income tax liabilities – net	3,502	10,671	(7,169)	-67.2%	0.1%	0.4%
Other noncurrent liabilities	1,178	29,211	(28,033)	-96.0%	0.0%	1.1%
Total Noncurrent Liabilities	**854,972**	**1,014,619**	**(159,647)**	**-15.7%**	**32.3%**	**39.7%**
Total Liabilities	**1,189,115**	**1,366,039**	**(176,924)**	**-13.0%**	**44.9%**	**53.4%**
Equity Attributable to Equity Holders of the Parent Company						
Redeemable preferred stock	45,905	14,585	31,320	214.7%	1.7%	0.6%
Common stock	74,702	74,698	4	0.0%	2.8%	2.9%
Additional paid-in capital	801,151	590,197	210,954	35.7%	30.3%	23.1%
Accumulated share in other comprehensive losses of associates	(59,091)	(11,301)	(47,790)	422.9%	-2.2%	-0.4%
Cumulative translation adjustments	(22,896)	(14,477)	(8,419)	58.2%	-0.9%	-0.6%

Retained earnings	475,570	417,547	58,023	13.9%	18.0%	16.3%
Cost of common stock held in treasury	(52,987)	(52,987)	-	0.0%	-2.0%	-2.1%
Sub-total	1,262,354	1,018,262	244,092	24.0%	47.7%	39.8%
Non-controlling Interests	196,288	172,886	23,402	13.5%	7.4%	6.8%
Total Equity	**1,458,642**	**1,191,148**	**267,494**	**22.5%**	**55.1%**	**46.6%**
TOTAL LIABILITIES AND EQUITY	**2,647,757**	**2,557,187**	**90,570**	**3.5%**	**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 decreased by $15.3 million, or 4.9%, to $296.0 million as of March 31, 2012 compared to $311.3 million as of the same date in 2011. The decrease was primarily due the full prepayment of the Unified loan in July 2011, the partial buyback of Convertible Bonds, the principal and interest payments on other existing loans, and additional investments in EDC shares. This was partially offset by the issuance of the Series F Preferred Shares and the drawdown of the remaining $49.0 million of the $100.0 million Notes Facility in January 2012.

Receivables

Receivables increased by $57.7 million, or 39.2%, to $205.0 million as of March 31, 2012 from $147.3 million as of March 31, 2011. The increase was mostly due to a greater amount of trade receivables of FGPC and FGP due to a portion of the February 2012 billing to Meralco still being outstanding as of end-March 2012, as well as the increased fuel charges during the period as a result of the higher average gas prices in the first quarter of 2012.

Inventories

In anticipation of the scheduled Malampaya outages in July 2012, the gas plants increased their usable stock of fuel inventory from 8 days to 10.5 days by importing additional fuel in the fourth quarter of 2011. The inventory level as of March 31, 2012 was consequently higher by $19.2 million, or a 37.7%, compared to the same period in 2011.

Other current assets

The other current assets account decreased by $10.0 million, or 25.7%, to $29.0 million as of March 2012 from $39.0 million as of March 2011. This was primarily due to the decrease in FGP's prepaid taxes following the sale of BOC-issued TCCs, part of which was used to pay the VAT on importation for the fuel imported in the fourth quarter of 2011. The Parent Company also no longer recognized the current portion of the option asset amounting to $4.5 million following the full exercise of its call option to purchase an aggregate of 585.0 million EDC shares in 2011.

Investments in associates

Investments in associates increased by $92.7 million, or 7.4%, to $1,350.6 million in 2012 from $1,257.9 million in 2011 due to the purchase of EDC shares in the market by the Parent Company and Northern Terracotta. As of March 31, 2012, First Gen's direct and indirect economic interest in EDC increased to 8.8%, on top of the 40% economic interest directly owned by Prime Terracota through Red Vulcan, as compared to 4.2% as of the same period in 2011.

Property, plant, and equipment

This account decreased by $60.2 million, or 10.6%, to $505.7 million in 2012 from $565.9 million in 2011 mainly due to the depreciation expense of plant machinery and equipment of FGPC and FGP during the period amounting to $59.8 million.

Other noncurrent assets

The net increase in this account by $7.0 million, or 4.3%, to $170.0 million as of March 2012 from $163.0 million as of March 2011 pertains primarily to the increase in prepaid major spare parts by $39.2 million due to the capitalized O&M fees to cover the estimated cost of the new turbine blades that will be replaced in the next scheduled major maintenance outages of FGPC and FGP. This was offset by the full utilization of the remaining prepaid gas in November 2011 amounting to $28.1 million and the $5.0 million scheduled repayment of the advances made to BG.

Accounts payable and accrued expenses
This account increased by $15.9 million, or 10.0%, to $174.6 million in 2012 from $158.7 million as of March 2011. This was mainly attributable to higher net trade payables of FGPC and FGP to SPEX by $19.1 million primarily due to higher gas prices during the period. This was partially offset by lower accrued expenses by $3.2 million mainly due to the full prepayment of the Unified loan in July 2011.

Income tax payable
Income tax payable decreased by $1.7 million, or 14.1%, to $10.2 million as of March 2012 from $11.9 million in 2011. This was attributable primarily to the increased creditable withholding taxes of FGPC and FGP in 2012 by $2.7 million despite the larger provision for income taxes resulting from higher taxable income in the fourth quarter of 2011 and first quarter of 2012.

Convertible Bonds – current portion
This account pertains to the unredeemed Convertible Bonds with a face value of $67.0 million (and carrying value of $82.0 million) that was reclassified to the current account following a maturity date of less than twelve months. The bonds will mature on February 11, 2013.

Long-term debt – current portion
This account considerably decreased by $114.1 million, or 65.5%, primarily due to the prepayment of the Unified loan. On July 11, 2011, First Gen fully prepaid the outstanding balance of Unified, eliminating the current portion of $118.0 million that was due to its lenders as of March 31, 2011. This was partially offset by the maturing loan obligations of the Parent in 2012 by $2.7 million.

Derivative liabilities – current portion
On September 7, 2011, FGPC and FGP each entered into several forward currency contracts with ING Bank N.V. Manila Branch (ING) to purchase European currency (Euro) at fixed Euro to U.S. Dollar rates. Under this agreement, FGPC and FGP are each obligated to buy Euro from ING amounting to €2.5 million and €1.2 million, respectively, based on agreed strike exchange rates. The settlement of each of the forward contracts is from December 2011 up to May 2012 which coincides with the outstanding and forecasted monthly payables to Siemens Power Operations, Inc. (SPOI).

As such, as of March 31, 2012, the fair values of the remaining unsettled forward currency contracts resulted in derivative liabilities amounting to $0.5 million.

Convertible Bonds – net of current portion
The elimination of this account was due to the reclassification of the outstanding Convertible Bonds as a current account following a maturity date of less than twelve months. The bonds will mature on February 11, 2013.

Long-term debt – net of current portion
Long-term debt decreased by $12.6 million, or 1.6%, primarily due to the scheduled principal payments of the existing outstanding loans of FGPC and FGP. This was partially offset by the drawdown of the remaining $49.0 million of the $100.0 million Notes Facility by the Parent Company on January 2, 2012.

Derivative liabilities – net of current portion
Derivative liabilities increased by $20.0 million, or 55.9%, to $55.7 million as of March 2012 from $35.7 million in March 2011. This was mainly a result of the unfavorable movements in the MTM valuation of FGPC's interest rate swaps owing to a decrease in projected LIBOR rates as of March 2012 as compared to March 2011. This was partially offset by the settlement of a portion of the interest rate swaps that were due in May and November 2011.

FGPC recognized a derivative liability when it entered into an interest rate swap agreement to hedge a fraction of the interest payments of its floating-rate loans to a fixed-rate.

Retirement liability
The $0.3 million, or 172.5%, increase in this account was due to the increase in the monthly provision for retirement expense.

Deferred income tax liabilities – net
The account decreased by $7.2 million, or 67.2%, to $3.5 million in 2012 from $10.7 million in 2011. This was primarily due to the unfavorable movements in the MTM valuation of FGPC's interest rate swaps, increasing derivative liabilities and thereby resulting in a decrease of deferred income tax liabilities.

Other noncurrent liabilities
Other noncurrent liabilities decreased by $28.0 million, or 96.0%, to $1.2 million as of March 2012 from $29.2 million in 2011. The decrease in the account was due to the full utilization of the remaining prepaid gas by the gas plants in November 2011, which led to the realization of the "Unearned revenues" account.

Redeemable Preferred Stock
The increase in this account was brought about by the issuance of the ₱10.0 billion Series F Preferred Shares as well as the additional subscription of First Philippine Holdings Corporation (FPHC) owing to the increase in authorized capital stock in anticipation of the issuance of the Series G Preferred Shares.

On July 25, 2011, the Company issued ₱10.0 billion cumulative, non-voting, non-convertible Series F Perpetual Preferred Shares, with a dividend rate of 8.0%. On the seventh anniversary of the issue date, or on any dividend payment date thereafter, First Gen has the option, but not the obligation, to redeem all of the Series F Preferred Shares outstanding. The shares have a par value of ₱10.00 per share, thus increasing the redeemable preferred stock by $23.6 million.

With the additional subscription of FPHC of $7.7 million, the total balance of the account increased by $31.3 million, or 214.7%, to $45.9 million as of March 2012 compared to $14.6 million as of March 2011.

Additional paid-in capital
This account increased by $211.0 million, or 35.7%, due to the issuance of the Series F Preferred Shares on July 25, 2011. The Series F Preferred Shares had an issue value of ₱100.00 per share.

Accumulated share in other comprehensive losses of associates
As a result of the deconsolidation of the Prime Terracotta Group in May 2009, First Gen's share in the translation of the Peso-denominated net assets of the Prime Terracota Group into its functional currency, U.S. Dollar, was booked under this contra-equity account. The increase amounting to $47.8 million, or 422.9%, was the result of the higher net assets balance of the Prime Terracota Group as of March 31, 2012 as compared to the balances as of March 31, 2011 as well as the appreciation of the Philippine Peso in the same period (from ₱43.39:$1.00 in March 2011 to ₱42.92:$1.00 in March 2012).

Cumulative translation adjustments (CTA)
This contra-equity account increased by $8.4 million, or 58.2%, mainly due to the unfavorable movements in the MTM valuation of FGPC's and FGP's interest rate swaps which contributed a decrease of about $8.4 million. These arose from the lower projected LIBOR rates as of March 2012, compared to the forecast in March 2011. Also contributing to this increase was the movement in the fair value of the forward currency contracts of FGPC and FGP.

Retained earnings
First Gen's retained earnings increased by $58.0 million, or 13.9%, to $475.5 million in March 2012, from $417.5 million as of March 2011. This was due to the Company's earnings during the period, partially offset by the cash dividends declared in favor of the Parent Company's preferred shareholders amounting to $11.7 million.

Non-controlling Interests
This account increased by $23.4 million, or 13.5%, to $196.3 million in March 2011 as compared to $172.9 million in March 2011 as a result of the earnings from FGPC and FGP, partially offset by the dividends declared during the period.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	Mar-12	Dec-11	HORIZONTAL ANALYSIS 2012 vs. 2011		VERTICAL ANALYSIS	
(Amounts in U.S. Dollars and in Thousands)	***(Unaudited)***	***(Audited)***	**Amount**	**%**	**Mar-12**	**Dec-11**
ASSETS						
Current Assets						
Cash and cash equivalents	295,993	266,141	29,852	11.2%	11.2%	10.4%
Receivables	205,033	192,616	12,417	6.4%	7.7%	7.5%
Inventories	70,231	69,997	234	0.3%	2.7%	2.7%
Other current assets	29,000	31,880	(2,880)	-9.0%	1.1%	1.2%
Total Current Assets	600,257	560,634	39,623	7.1%	22.7%	21.9%
Noncurrent Assets						
Investment in associates	1,350,621	1,294,782	55,839	4.3%	51.0%	50.6%
Property, plant and equipment – net	505,662	520,877	(15,215)	-2.9%	19.1%	20.4%
Goodwill and Intangible assets	16,616	16,768	(152)	-0.9%	0.6%	0.7%
Deferred income tax assets – net	4,542	3,210	1,332	41.5%	0.2%	0.1%
Other noncurrent assets	170,059	160,340	9,719	6.1%	6.4%	6.3%
Total Noncurrent Assets	2,047,500	1,995,977	51,523	2.6%	77.3%	78.1%
TOTAL ASSETS	**2,647,757**	**2,556,611**	**91,146**	**3.6%**	**100.0%**	**100.0%**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	174,577	170,655	3,922	2.3%	6.6%	6.7%
Dividends payable	-	9,687	(9,687)	-100.0%	0.0%	0.4%
Income tax payable	10,261	6,058	4,203	69.4%	0.4%	0.2%
Due to related parties	6,725	6,930	(205)	-3.0%	0.3%	0.3%
Current portion of:						
Convertible bonds	82,005	-	82,005	100.0%	3.1%	0.0%
Long-term debt	60,027	58,460	1,567	2.7%	2.3%	2.3%
Derivative liabilities	548	2,546	(1,998)	-78.5%	0.0%	0.1%
Total Current Liabilities	334,143	254,336	79,807	31.4%	12.6%	9.9%
Noncurrent Liabilities						
Convertible bonds - net of current portion	-	84,662	(84,662)	-100.0%	0.0%	3.3%
Long-term debt - net of current portion	794,111	746,762	47,349	6.3%	30.0%	29.2%
Derivative liabilities - net of current portion	55,726	58,352	(2,626)	-4.5%	2.1%	2.3%
Retirement liability	455	273	182	66.7%	0.0%	0.0%
Deferred income tax liabilities – net	3,502	4,254	(752)	-17.7%	0.1%	0.2%
Other noncurrent liabilities	1,178	1,155	23	2.0%	0.0%	0.0%
Total Noncurrent Liabilities	854,972	895,458	(40,486)	-4.5%	32.3%	35.0%
Total Liabilities	**1,189,115**	**1,149,794**	**39,321**	**3.4%**	**44.9%**	**45.0%**
Equity Attributable to Equity Holders of the Parent Company						
Redeemable preferred stock	45,905	38,159	7,746	20.3%	1.7%	1.5%
Common stock	74,702	74,701	1	0.0%	2.8%	2.9%
Additional paid-in capital	801,151	801,148	3	0.0%	30.3%	31.3%
Accumulated share in other comprehensive losses of associates	(59,091)	(33,784)	(25,307)	74.9%	-2.2%	-1.3%
Cumulative translation adjustments	(22,896)	(24,504)	1,608	-6.6%	-0.9%	-1.0%
Retained earnings	475,570	423,454	52,116	12.3%	18.0%	16.6%
Cost of common stock held in treasury	(52,987)	(52,987)	0	0.0%	-2.0%	-2.1%

Sub-total	1,262,354	1,226,187	36,167	2.9%	47.7%	48.0%
Non-controlling Interests	196,288	180,630	15,658	8.7%	7.4%	7.1%
Total Equity	**1,458,642**	**1,406,817**	**51,825**	**3.7%**	**55.1%**	**55.0%**
TOTAL LIABILITIES AND EQUITY	**2,647,757**	**2,556,611**	**91,146**	**3.6%**	**100.0%**	**100.0%**

Cash and cash equivalents
This account consists mainly of cash on hand and in banks. Cash equivalents include cash investments with original maturities of less than three months. Cash and cash equivalents increased by $29.9 million, or 11.2%, to $296.0 million as of March 31, 2012 as compared to $266.1 million as of December 31, 2011. The increase was mainly due to the inflow of cash from the operations of FGPC and FGP as well as the drawdown of the remaining $49.0 million of the $100 million Notes Facility last January 2, 2012. This was partially offset by additional investments in EDC and the payment of dividends on the preferred shares.

Receivables
Receivables increased by $12.4 million, or 6.4%, to $205.0 million as of March 31, 2012 from $192.6 million as of December 31, 2011. The increase was almost entirely due to higher trade receivables of FGPC and FGP as a result of the higher average gas prices during the relevant period.

Other current assets
Other current assets decreased by $2.9 million, or 9.0%, to $29.0 million as of March 2012 from $31.9 million as of December 2011. This was primarily due to the amortization of the political risk insurance of FGPC. This was partially offset by a greater amount of interest due on the advances that FGPC made to BG.

Investments in associates
The increase in this account by $55.8 million, or 4.3%, to $1,350.6 million as of March 31, 2012 from $1,294.8 million as of December 31, 2011 was due primarily to the increased investment in EDC shares as well as the equity in net earnings from the Prime Terracota Group during the period.

For the first quarter of 2012, First Gen and its wholly-owned subsidiary, Northern Terracotta made additional investments in EDC totaling to $43.6 million. As of March 31, 2012, the Company's total effective economic interest in the latter is 48.8%.

Property, plant, and equipment – net
This account decreased by $15.2 million, or 2.9%, due to the depreciation expense of the gas plants amounting to $15.3 million during the period.

Goodwill and Intangible assets
This account decreased by $0.2 million, or 0.9%, to $16.6 million as of March 31, 2012 from $16.8 million as of December 31, 2011 due to the amortization of FGP's "Pipeline rights" during the period.

Deferred income tax assets
This account increased by $1.3 million, or 41.5%, as a result of the increase in FGP's deferred income tax assets due to the appreciation of the Philippine Peso during the quarter.

Other noncurrent assets
The net increase in this account by $9.7 million, or 6.1%, to $170.0 million as of March 31, 2012 from $160.3 million as of December 31, 2011 pertains mainly to the increase in prepaid major spare parts by $9.8 million due to the capitalized O&M fees to cover the estimated cost of the new turbine blades that will be replaced in the next scheduled major maintenance outages of FGPC and FGP.

Accounts payable and accrued expenses
This account increased by $3.9 million, or 2.3%, to $174.6 million as of March 31, 2012 to $170.7 million as of December 31, 2011 mainly attributable to higher interest accrued in FGPC prior to the scheduled interest payments of its loan in May. This was partially offset by the lower accrued interest of the Parent following the interest payments it made during the first quarter.

Dividends payable
The realization of this account pertains to the payment of cash dividends on the Series F Preferred Shares amounting to $9.7 million that were declared on December 16, 2011.

Income tax payable
Income tax payable increased by $4.2 million due to the additional taxes payable on the income earned during the first quarter.

Current portion of bonds payable
This account pertains to the unredeemed Convertible Bonds with a face value of $67.0 million (and carrying value of $82.0 million) that was reclassified to the current account following a maturity date of less than twelve months. The bonds will mature on February 11, 2013.

Current portion of long-term debt
This account increased by $1.6 million, or 2.7%, due to the current maturing loan obligations amounting to $60.0 million as of March 31, 2012.

Current portion of derivative liabilities
On September 7, 2011, FGPC and FGP each entered into several forward currency contracts with ING Bank to purchase (Euro at fixed Euro to U.S. Dollar rates. Under this agreement, FGPC and FGP are each obligated to buy Euro from ING amounting to €2.5 million and €1.2 million, respectively, based on agreed strike exchange rates. The settlement of each of the forward contracts is from December 2011 up to May 2012, which coincides with the outstanding and forecasted monthly payables to SPOI.

The decrease in the account by $2.0 million, or 78.5%, was a result of the settlement of the contracts up to March 2012. The balance of $0.5 million as of the end of the first quarter of 2012 represents FGPC's and FGP's remaining obligations until May 2012.

Bonds payable – net of current portion
The elimination of this account was due to the reclassification of the outstanding Convertible Bonds to current portion. The bonds will mature on February 11, 2013.

Long-term debt – net of current portion
This account increased by $47.3 million, or 6.3%, following the drawdown of the remaining $49.0 million of the $100.0 million Notes Facility by the Parent Company during the first quarter of 2012. The drawn amount was reduced by the associated debt issuance costs.

Derivative liabilities – net of current portion
This account decreased by $2.6 million, or 4.5%, resulting from the favorable movements in the fair value of FGPC's derivative liabilities due to higher projected LIBOR rates used in the valuation as of March 31, 2012 as compared to the projected LIBOR rates as of December 31, 2011. FGPC entered into a derivative transaction to hedge the interest rates of its floating-rate loans to fixed-rate.

Retirement liability
The $0.2 million, or 66.7%, increase in this account was due to the increase in the monthly provision for retirement expense.

Deferred income tax liabilities – net
The $0.7 million, or 17.7%, decrease in this account was primarily due to the benefit from deferred income tax during the quarter. This was partially offset by the favorable movements in the MTM valuation of FGPC's interest rate swaps, decreasing derivative liabilities and thereby resulting in a positive movement of deferred income tax liabilities.

Redeemable preferred stock
The increase in this account by $7.7 million, or 20.3%, was brought about by subscription of FPHC to 33,750,000 Series G Preferred Shares in relation to the Parent Company's increase in authorized capital stock.

The increase in capital stock, which was approved by the stockholders of First Gen on January 25, 2012 and by the SEC on March 13, 2012, was supported by the subscription of FPHC to 33,750,000 Series "G" preferred shares, in compliance with minimum subscription requirements.

Accumulated share in other comprehensive losses of associates
As a result of the deconsolidation of the Prime Terracotta Group in May 2009, First Gen's share in the translation of the Peso-denominated net assets of the Prime Terracota Group into its functional currency, U.S. Dollar, was booked under this contra-equity account. The increase amounting to $25.3 million, or 74.9%, was the result of the appreciation of the Philippine Peso from ₱42.92:US$1.00 in March 2012 compared to ₱43.84:US$1.00 in December 2011.

Cumulative translation adjustments
This contra-equity account decreased by $1.6 million or 6.6% to $22.9 million as of March 2012 from $24.5 million in December 2011 mainly due to the favorable movements in the MTM valuation of FGPC's interest rate swaps. These arose from the higher projected LIBOR rates as of March 2012, compared to the forecast in December 2011. Also contributing to this decrease was the movement in the fair value of the forward currency contracts of FGPC and FGP.

Retained earnings
First Gen's retained earnings increased by $52.1 million, or 12.3%, to $475.6 million in March 2012 as compared to $423.5 million in December 2011 resulted from the earnings accumulated in the first quarter of 2012.

Non-controlling Interests
This account increased by $15.7 million, or 8.7%, to $196.3 million in March 2012 as compared to $180.6 million in December 2011 as a result of the higher earnings from FGPC and FGP during the period.

DISCUSSION OF MAJOR SUBSIDIARIES AND ASSOCIATES

FGPC

	As of and for the periods ended March 31	
(in USD thousands)	**2012 (Unaudited)**	**2011 (Unaudited)**
Revenues	229,012	201,009
Operating income	40,980	39,940
Net income	23,858	20,889
Total assets	875,825	874,917
Debt – net of debt issuance costs	443,709	475,665
Other liabilities	181,929	173,459
Total equity	250,187	225,793

March 2012 vs. March 2011 Results
FGPC's revenues for the first three months of 2012 increased to $229.0 million, or 13.9%, higher than last year's $201.0 million on account of higher fuel charges which was mainly driven by the increase in average gas prices (from $10.5/MMBtu in 2011 to $13.2/MMBtu in 2012). This was partially offset by the lower average plant dispatch of 81% in 2012 compared with 86% in the previous year. Such decrease in average plant dispatch resulted from the scheduled minor outages during the period.

Operating income slightly increased by $1.0 million, or 2.6%, in 2012 due to lower O&M costs for the period ended March 2012 resulting from the lower plant dispatch and lower NDC bonus to SPOI. Lower general and administrative costs further increased the operating income.

FGPC posted a net income of $23.9 million, which is $3.0 million higher than last year's $20.9 million. The increase was mainly due to lower provision for income taxes and lower interest expense as a result of the continuous pay down of long term debt, though partially offset by greater foreign exchange losses in 2012 due to foreign exchange movements of its Peso- and Euro-denominated liabilities.

ASSETS

FGPC's total assets as of March 31, 2012 stood at $875.8 million, about $0.9 million higher as compared with last year's $874.9 million due to higher billings to Meralco, higher liquid fuel inventory and an increase in the "Prepaid major spare parts" account. These were partially offset by the following factors:

- a decrease in Advances to shareholders due to scheduled amortization payments;
- a decrease in the "Prepaid gas" account resulting from the banked gas recovery in November 2011; and,
- annual depreciation and amortization of fixed assets.

LIABILITIES AND EQUITY

FGPC's total liabilities amounted to $625.6 million as of March 2012 lower by $23.5 million, or 3.6%, as compared with $649.1 million for the same period last year, primarily due to the scheduled payments of loans and the recovery of banked gas. This was partially offset by the increase in derivative liabilities due to the unfavorable movements in the MTM valuation of FGPC's derivative instruments.

Total equity was higher by $24.4 million, or 10.8%, as compared to the end-March 2011 level. The increase in equity resulted from earnings during the period, net of cash dividend payments. This was partially offset by the increase in the "Accumulated other comprehensive loss" account due to the unfavorable movement in the MTM valuation of FGPC's derivative instruments.

FGP Corp.

	As of and for the periods ended March 31	
(in USD thousands)	**2012 (Unaudited)**	**2011 (Unaudited)**
Revenues	121,943	102,964
Operating income	16,778	16,767
Net income	13,013	12,346
Total Assets	410,789	405,198
Debt – net of debt issuance costs	88,944	114,324
Other Liabilities	69,741	73,683
Total Equity	252,104	217,191

March 2012 vs. March 2011 Results

Total revenues for the three-month period ended March 31, 2012 posted an $18.9 million, or 18.4%, increase to $121.9 million in 2012 from $103.0 million in 2011. The increase in revenues was primarily attributable to higher average gas price of $13.5/MMBtu in 2012 against $10.5/MMBtu in 2011. The increase was slightly offset by lower actual average plant dispatch of 86.8% in 2012 from 88.9% in 2011.

Operating income slightly increased by $0.01 million from last year's $16.77 million to $16.78 million in 2012 due to additional start up charges. The increase was offset by the gain on sale of TCCs recognized in 2011. The $0.7 million, or 5.4%, increase in net income to $13.0 million in 2012 from last year's $12.3 million was primarily due to a higher benefit from deferred income tax.

ASSETS

FGP's total assets as of March 2012 stood at $410.8 million, 1.4% higher than last year's level of $405.2 million due to:

- higher cash balances from operations and relatively low cash dividend payments in 2011;
- two-months (February and March) outstanding receivables from Meralco as the payment due date for the February 2012 billing fell on a non-business day; and,
- an increase in the fuel inventory level.

LIABILITIES AND EQUITY

As of March 2012, total liabilities decreased by $29.3 million, or 15.6%, to $158.7 million from last year's $188.0 million. The continuous pay down of San Lorenzo's debt and the recovery of banked gas resulted in a reduction of FGP's liabilities.

Total equity increased by $34.9 million, or 16.1%, to $252.1 million in 2012 as compared to $217.2 million in 2011. The increase in equity was brought about by the earnings during the period, offset by the cash dividend payments made in 2011.

FG Bukidnon

	As of and for the periods ended March 31	
(in PHP thousands)	**2012 (Unaudited)**	**2011 (Unaudited)**
Operating revenues	9,293	10,793
Operating income	4,444	5,895
Net income	4,345	5,822
Total Assets	156,900	167,680
Total Current Liabilities	23,511	15,769
Other Liabilities	9,991	8,951
Total Equity	123,398	142,960

March 2012 vs. March 2011 Results

FG Bukidnon's revenues, operating income and net income for the first quarter of 2012 decreased slightly as compared to the same period in 2011 due to lower plant dispatch arising from a lower level of water supply.

Total assets as of March 31, 2012 decreased by ₱10.8 million, or 6.4%, due to the payment of ₱40.0 million in cash dividends last December 2011 partially offset by the accumulation of cash from operations.

Total liabilities as of March 31, 2012 increased by ₱8.8 million, or 35.5%, due to the accrual of an additional liability for the use of ancillary services of the National Grid Corporation of the Philippines ("NGCP") and the set-up of the retirement liability for the period April 2011 to March 2012.

Total equity decreased by ₱19.6 million, or 13.7%, mainly due to the ₱40.0 million cash dividends last December 2011 partially offset by net income earned during the period April 2011 to March 2012.

EDC

Following is the condensed consolidated financial information of EDC:

	As of and for the periods ended March 31	
(Amounts in PHP millions)	2012 (Unaudited)	2011 (Unaudited)
Revenues	7,704.4	5,952.8
Foreign exchange gains	338.0	188.6
Income before income tax	3,423.9	1,534.8
Net income	3,146.9	1,460.8
Recurring net income	2,792.2	1,235.1
Total assets	92,151.1	95,326.8
Total liabilities	61,340.2	64,642.1
Total equity	30,810.9	30,684.7

March 2012 vs. March 2011 Results

The recurring net income generated in the first quarter of 2012 increased by 126.1%, or ₱1,557.1 million, to ₱2,792.2 million from the ₱1,235.1 million posted during the same period in 2011. This was mainly due to Green Core Geothermal Inc's (GCGI) higher revenues from Tongonan I and Palinpinon power plants in the amount of ₱642.5 million due to GCGI's bilateral power contracts that became effective in mid-2011; and FG Hydro's ₱596.9 million revenues from electricity sales through ancillary services.

Recurring net income attributable to equity holders of the parent was posted at ₱2,344.5 million, up by 102.8%, as compared to the ₱1,155.9 billion for the first quarter of 2011.

Net income is equivalent to 40.8% of total revenues in 2012 as compared with 24.5% from the same period in 2011. It increased by 115.4%, or ₱1,686.1 million, to ₱3,146.9 million as of March 31, 2012 from ₱1,460.8 million during the same period in 2011.

Factors contributing to these were the following:

- ₱1,738.6 million increase in the sale of electricity due to the fresh contribution of BacMan Geothermal Inc.'s revenues, increase in GCGI's sales and FG Hydro's revenues from contingency and dispatchable reserves; and,
- ₱149.4 million foreign exchange gains due to the appreciation of the peso against the US dollar.

Net income attributable to equity holders of the parent at ₱2,699.3 million for the first quarter of 2012, increased by 95.3% as compared with the ₱1,381.8 million during the same period in 2011.

EDC's consolidated long-term debt posted a net decrease of ₱3,162.9 million. or 5.9%, to ₱50,294.3 million in March 2012 from ₱53,457.2 million in March 2011 mainly due to the settlement of maturing debt obligations and the prepayment of the current portion of OECF 8th, 9th, 18th, 19th and 21st Yen loan.

FG Hydro

(Amounts in PHP millions)	As of and for the periods ended March 31	
	2012	**2011**
Operating revenues	1,411.1	517.2
Operating expenses	198.5	225.4
Other expenses – net	93.6	100.7
Income before tax	1,119.0	191.1
Provision for (benefit from) income tax	-	-
Net income	1,119.0	191.1
Total current assets	3,414.0	1,822.2
Total noncurrent assets	7,156.1	7,364.3
Total current liabilities	650.4	491.9
Total noncurrent liabilities	4,219.2	4,574.6
Total equity	5,700.5	4,120.0

FG Hydro generated revenues of ₱1,411.1 million for the period ended March 31, 2012, ₱893.9 million higher than the revenues of ₱517.2 million for the same period in 2011. The favorable variance was mainly on account of revenues earned from the sale of electricity via ancillary services to NGCP, amounting to ₱596.9 million, and the temporary assumption of the Batangas Electric Cooperative II ("BATELEC II") 48 MW and Linde Philippines 6 MW Power Supply Agreements (PSAs) amounting to ₱288.7 million. Spot prices in the WESM during the period were also higher although electricity sales volume to WESM was much lower on account of electricity sales to NGCP and the allocation of volume to cover the PSA's of BATELEC II and Linde Philippines. There were no revenues from the said entities for the same period in 2011.

The favorable variance in operating expenses is mainly on account of lower depreciation, operations and maintenance expenses and taxes and licenses in 2012. Higher interest income from short-term deposits of ₱16.8 million in 2012 versus ₱9.1 million in 2011 further contributed to the favorable variance. Overall, FG Hydro posted a net income of ₱1,119.0 million for the period ended March 31, 2012, ₱927.9 million, or 485.6%, higher than the ₱191.1 million reported income for the same period in 2011.

Total assets as of March 31, 2012 stood at ₱10,570.1 million, ₱1,383.6 million, or 15.1% higher than the 2011 level of ₱9,186.5 million. The favorable variance was mainly due to higher cash balances and accounts receivable-trade balances in 2012, mainly from the sale of electricity as ancillary services, as compared with the same period in 2011 when there were no ancillary services yet.

As of March 31, 2012, total liabilities stood at ₱4,869.6 million, ₱196.9 million or 3.9% lower than the 2011 level of ₱5,066.5 million. The decrease in liabilities was mainly due to the continuous pay down of the company's scheduled semi-annual loan repayments.

Total equity as of March 31, 2012 of ₱5,700.5 million is ₱1,580.5 million, or 38.4%, higher compared to the March 31, 2011 level of ₱4,120.0 million due to earnings generated for the period.

Key Performance Indicators

First Gen Consolidated	March 2012	March 2011
Current ratio	1.80	1.56
Asset-to-equity ratio	1.82	2.15
Debt-to-equity ratio	0.82	1.15
Quick ratio	1.50	1.31
Return on assets (%)	2.56%	1.32%
Return on equity (%)	4.65%	2.76%
Interest-bearing debt-to-equity ratio (times)	0.64	0.93

Key Performance Indicators	Details
Current Ratio	Calculated by dividing current assets over current liabilities. This ratio measures the company's ability to pay short-term obligations.
Asset-to-equity ratio (times)	Calculated by dividing total assets over total equity.
Debt-to-equity ratio (times)	Calculated by dividing total liabilities over total equity. This ratio expresses the relationship between capital contributed by the creditors and the owners.
Quick ratio	Calculated by dividing Cash and cash equivalents plus Receivables over total current liabilities. This ratio measures a company's solvency.
Return on Assets	Calculated by dividing net income over total assets (average). This ratio measures how the company utilizes its resources to generate profits.
Return on Equity	Calculated by dividing net income over total equity (average). 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 90 days past due	More than 120 days past due	Total
Trade	$192,138	–	–	$192,138
Due from related parties	9,645	–	–	9,645
Others	3,250	–	–	3,250
	205,033	–	–	205,033
Less: allowance for doubtful accounts	–	–	–	–
	$205,033	–	–	$205,033

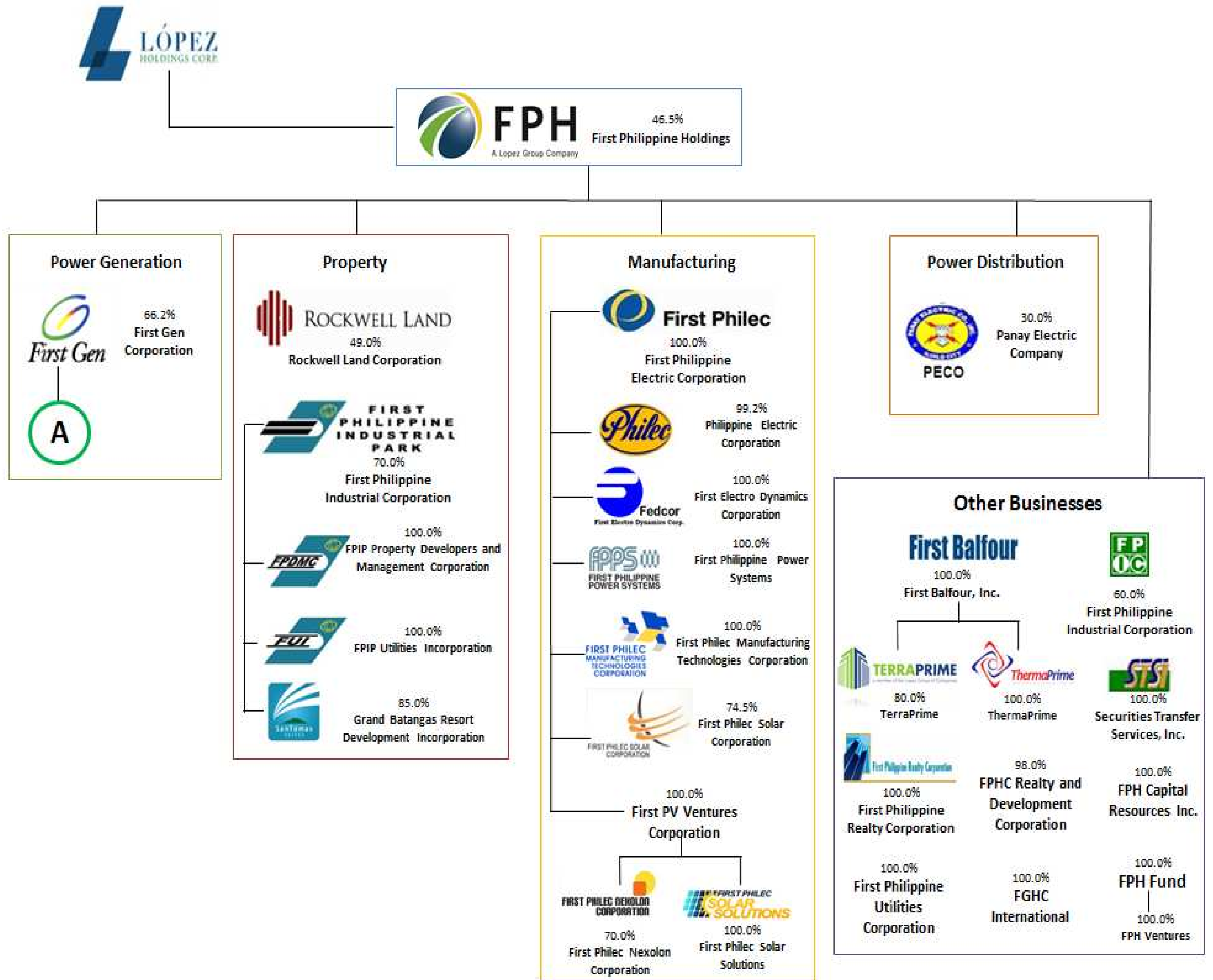
FIRST GEN CORPORATION AND SUBSIDIARIES
As of March 31, 2012

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as of March 31, 2012:

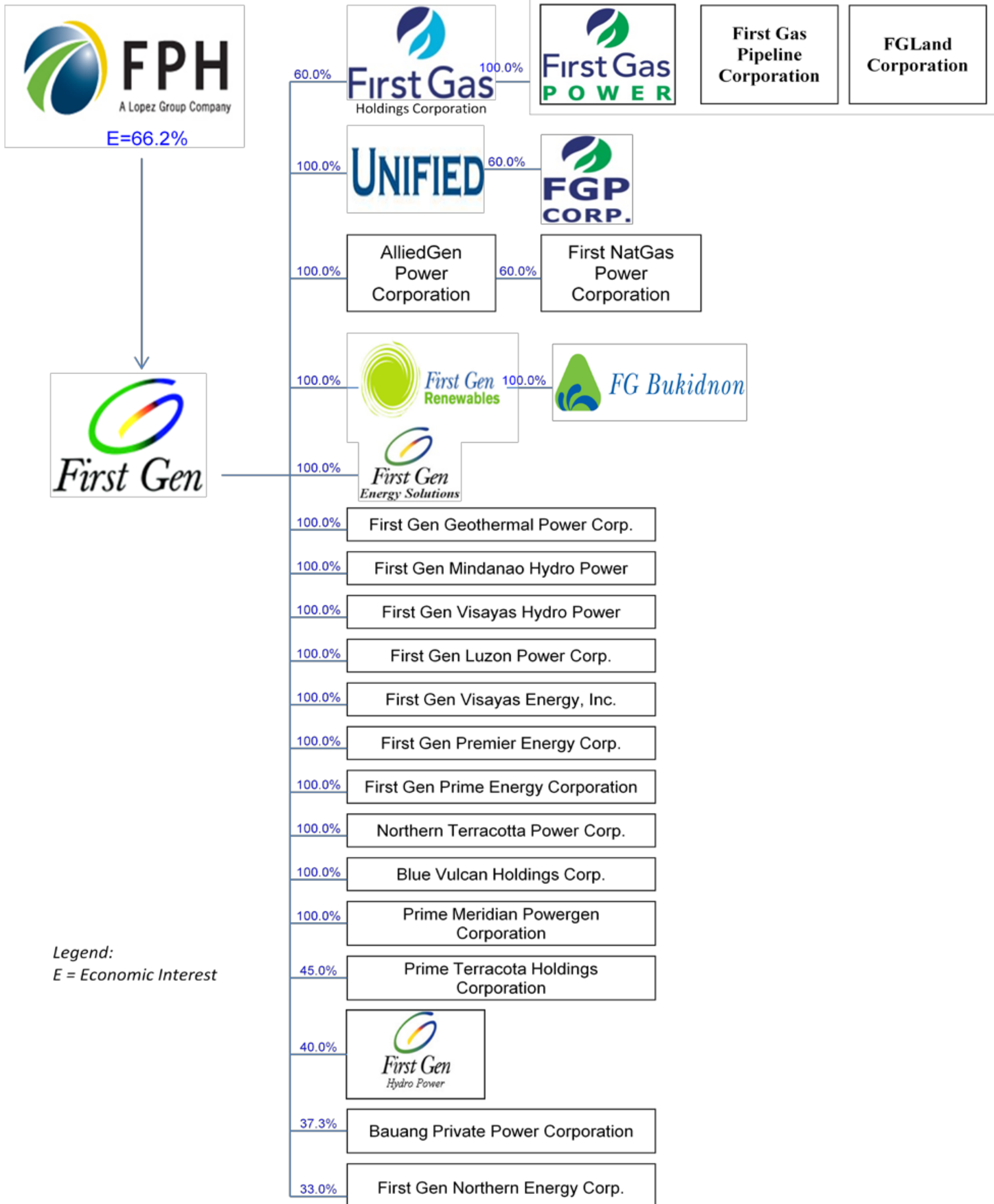
PFRS	
PFRS 1, First-time Adoption of Philippine Financial Reporting Standards	Adopted
PFRS 2, Share-based Payment	Adopted
PFRS 3, Business Combinations	Adopted
PFRS 4, Insurance Contracts	Not Applicable
PFRS 5, Non-current Assets Held for Sale and Discontinued Operations	Adopted
PFRS 6, Exploration for and Evaluation of Mineral Resources	Not Applicable
PFRS 7, Financial Instruments: Disclosures	Adopted
PFRS 8, Operating Segments	Adopted
PAS	
PAS 1, Presentation of Financial Statements	Adopted
PAS 2, Inventories	Adopted
PAS 7, Statement of Cash Flows	Adopted
PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10, Events after the Reporting Period	Adopted
PAS 11, Construction Contracts	Not Applicable
PAS 12, Income Taxes	Adopted
PAS 16, Property, Plant and Equipment	Adopted
PAS 17, Leases	Adopted
PAS 18, Revenue	Adopted
PAS 19, Employee Benefits	Adopted
PAS 20, Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable
PAS 21, The Effects of Changes in Foreign Exchange Rates	Adopted
PAS 23, Borrowing Costs	Adopted
PAS 24, Related Party Disclosures	Adopted
PAS 26, Accounting and Reporting by Retirement Benefit Plans	Adopted
PAS 27, Consolidated and Separate Financial Statements	Adopted
PAS 28, Investments in Associates	Adopted
PAS 29, Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 31, Interests in Joint Ventures	Not Applicable
PAS 32, Financial Instruments: Presentation	Adopted
PAS 33, Earnings per Share	Adopted
PAS 34, Interim Financial Reporting	Adopted
PAS 36, Impairment of Assets	Adopted
PAS 37, Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38, Intangible Assets	Adopted
PAS 39, Financial Instruments: Recognition and Measurement	Adopted
PAS 40, Investment Property	Not Applicable
PAS 41, Agriculture	Not Applicable
IFRIC	
Philippine Interpretation IFRIC–1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	Not Applicable
Philippine Interpretation IFRIC–2, Members' Shares in Co-operative Entities and Similar Instruments	Not Applicable
Philippine Interpretation IFRIC–4, Determining whether an Arrangement contains a Lease	Adopted
Philippine Interpretation IFRIC–5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not Applicable
Philippine Interpretation IFRIC–6, Liabilities arising from Participating in a	Not Applicable

Specific Market - Waste Electrical and Electronic Equipment	
Philippine Interpretation IFRIC–7, Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies	Not Applicable
Philippine Interpretation IFRIC–9, Reassessment of Embedded Derivatives	Adopted
Philippine Interpretation IFRIC–10, Interim Financial Reporting and Impairment	Adopted
Philippine Interpretation IFRIC–12, Service Concession Arrangements	Not Applicable
Philippine Interpretation IFRIC–13, Customer Loyalty Programmes	Not Applicable
Philippine Interpretation IFRIC–14, PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Not Applicable
Philippine Interpretation IFRIC–16, Hedges of a Net Investment in a Foreign Operation	Not Applicable
Philippine Interpretation IFRIC–17, Distributions of Non-cash Assets to Owners	Not Applicable
Philippine Interpretation IFRIC–18, Transfers of Assets from Customers	Not Applicable
Philippine Interpretation IFRIC–19, Extinguishing Financial Liabilities with Equity Instruments	Not Applicable
Philippine Interpretation SIC–7, Introduction of the Euro	Not Applicable
Philippine Interpretation SIC–10, Government Assistance - No Specific Relation to Operating Activities	Not Applicable
Philippine Interpretation SIC–12, Consolidation - Special Purpose Entities	Not Applicable
Philippine Interpretation SIC–13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Not Applicable
Philippine Interpretation SIC–15, Operating Leases – Incentives	Not Applicable
Philippine Interpretation SIC–21, Income Taxes - Recovery of Revalued Non-Depreciable Assets	Not Applicable
Philippine Interpretation SIC–25, Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Not Applicable
Philippine Interpretation SIC–27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Not Applicable
Philippine Interpretation SIC–29, Service Concession Arrangements: Disclosures	Not Applicable
Philippine Interpretation SIC–31, Revenue - Barter Transactions Involving Advertising Services	Not Applicable
Philippine Interpretation SIC–32, Intangible Assets - Web Site Costs	Not Applicable
PIC Q&A No. 2006-01: PAS 18, Appendix, paragraph 9 – Revenue recognition for sales of property units under pre-completion contracts	Not Applicable
PIC Q&A No. 2006-02: PAS 27.10(d) – Clarification of criteria for exemption from presenting consolidated financial statements	Adopted
PIC Q&A No. 2007-03: PAS 40.27 – Valuation of bank real and other properties acquired (ROPA)	Not Applicable
PIC Q&A No. 2008-01 (Revised): PAS 19.78 – Rate used in discounting post-employment benefit obligations	Adopted
PIC Q&A No. 2008-02: PAS 20.43 – Accounting for government loans with low interest rates under the amendments to PAS 20	Not Applicable
PIC Q&A No. 2009-01: Framework.23 and PAS 1.23 – Financial statements prepared on a basis other than going concern	Not Applicable
PIC Q&A No. 2010-01: PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines	Not Applicable
PIC Q&A No. 2010-02: PAS 1R.16 – Basis of preparation of financial statements	Adopted
PIC Q&A No. 2011-01: PAS 1.10(f) – Requirements for a Third Statement of Financial Position	Adopted

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE FPH / FIRST GEN GROUPS



FPH Corporate Structure as of March 31, 2012

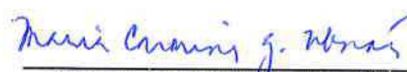

FPH
A Lopez Group Company
E=66.2%
First Gen
60.0%
First Gas
Holdings Corporation
100.0%
First Gas
POWER
First Gas Pipeline Corporation
FGLand Corporation
100.0%
UNIFIED
60.0%
FGP CORP.
100.0%
AlliedGen Power Corporation
60.0%
First NatGas Power Corporation
100.0%
First Gen Renewables
100.0%
FG Bukidnon
100.0%
First Gen Energy Solutions
100.0%
First Gen Geothermal Power Corp.
100.0%
First Gen Mindanao Hydro Power
100.0%
First Gen Visayas Hydro Power
100.0%
First Gen Luzon Power Corp.
100.0%
First Gen Visayas Energy, Inc.
100.0%
First Gen Premier Energy Corp.
100.0%
First Gen Prime Energy Corporation
100.0%
Northern Terracotta Power Corp.
100.0%
Blue Vulcan Holdings Corp.
100.0%
Prime Meridian Powergen Corporation
45.0%
Prime Terracota Holdings Corporation
40.0%
First Gen Hydro Power
37.3%
Bauang Private Power Corporation
33.0%
First Gen Northern Energy Corp.
Legend:
E = Economic Interest

PART II – OTHER INFORMATION

SIGNATURE

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

FIRST GEN CORPORATION



MARIA CARMINA Z. UBAÑA
Vice President and Comptroller

May 15, 2012

FIRST GEN CORPORATION AND SUBSIDIARIES

Unaudited Consolidated Financial Statements
March 31, 2012 and 2011
And Periods Ended March 31, 2012, 2011 and 2010
(In U.S. Dollar)

FIRST GEN CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	March 31, 2012 (Unaudited)	December 31, 2011 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**$295,993**	$266,141
Receivables (Notes 5 and 17)	**205,033**	192,616
Inventories (Note 6)	**70,231**	69,997
Other current assets (Note 7)	**29,000**	31,880
Total Current Assets	**600,257**	560,634
Noncurrent Assets		
Investments in associates (Note 8)	**1,350,621**	1,294,782
Property, plant and equipment – net	**505,662**	520,877
Goodwill and Intangible assets (Note 9)	**16,616**	16,768
Deferred income tax assets – net	**4,542**	3,210
Other noncurrent assets (Note 10)	**170,059**	160,340
Total Noncurrent Assets	**2,047,500**	1,995,977
TOTAL ASSETS	**$2,647,757**	$2,556,611

	March 31, 2012 (Unaudited)	December 31, 2011 (Audited)
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 11)	**$174,577**	$170,655
Dividends payable (Note 15)	–	9,687
Income tax payable	**10,261**	6,058
Due to related parties (Note 16)	**6,725**	6,930
Derivative liabilities (Note 24)	**548**	2,546
Current portion of:		
Convertible bonds (Notes 12)	**82,005**	58,460
Long-term debt (Notes 13)	**60,027**	–
Total Current Liabilities	**334,143**	254,336
Noncurrent Liabilities		
Convertible bonds (Note 12)	–	84,662
Long-term debt – net of current portion (Note 13)	**794,111**	746,762
Derivative liabilities – net of current portion	**55,726**	58,352
Retirement liability	**455**	273
Deferred income tax liabilities – net	**3,502**	4,254
Other noncurrent liabilities (Note 14)	**1,178**	1,155
Total Noncurrent Liabilities	**854,972**	895,458
Total Liabilities	**1,189,115**	1,149,794

(Forward)

	March 31, 2012 (Unaudited)	December 31, 2011 (Audited)
Equity Attributable to Equity Holders of the Parent Company (Note 15)		
Redeemable preferred stock	**$45,905**	$38,159
Common stock	**74,702**	74,701
Additional paid-in capital	**801,151**	801,148
Accumulated share in other comprehensive losses of associates (Note 8)	**(59,091)**	(33,784)
Cumulative translation adjustments	**(22,896)**	(24,504)
Retained earnings	**475,570**	423,454
Cost of common stock held in treasury	**(52,987)**	(52,987)
	1,262,354	1,226,187
Non-controlling Interests	**196,288**	180,630
Total Equity	**1,458,642**	1,406,817
TOTAL LIABILITIES AND EQUITY	**$2,647,757**	$2,556,611

See accompanying Notes to Unaudited Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of March 31	
	2012	2011 (Restated)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 24 and 25)	**$295,993**	$311,289
Receivables (Notes 5, 17, 24 and 25)	**205,033**	147,321
Inventories (Note 6)	**70,231**	50,998
Other current assets (Notes 7, 24 and 25)	**29,000**	39,043
Total Current Assets	**600,257**	548,651
Noncurrent Assets		
Investment in associates (Note 8)	**1,350,621**	1,257,948
Property, plant and equipment – net	**505,662**	565,879
Goodwill and Intangible assets (Note 9)	**16,616**	17,219
Deferred income tax assets – net	**4,542**	4,461
Other noncurrent assets (Notes 10, 24 and 25)	**170,059**	163,029
Total Noncurrent Assets	**2,047,500**	2,008,536
TOTAL ASSETS	**$2,647,757**	$2,557,187
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 11, 24 and 25)	**$174,577**	$158,685
Income tax payable	**10,261**	11,944
Due to related parties (Notes 17, 24 and 25)	**6,725**	6,700
Derivative liabilities (Note 25)	**548**	–
Current portion of:		
Convertible bonds (Notes 12, 24 and 25)	**82,005**	–
Long-term debt (Notes 13, 24 and 25)	**60,027**	174,091
Total Current Liabilities	**334,143**	351,420
Noncurrent Liabilities		
Bonds payable – net of current portion (Notes 12, 24 and 25)	**–**	132,096
Long-term debt – net of current portion (Notes 13, 24 and 25)	**794,111**	806,722
Derivative liabilities – net of current portion (Note 25)	**55,726**	35,752
Retirement liability	**455**	167
Deferred income tax liabilities – net	**3,502**	10,671
Other noncurrent liabilities (Notes 14, 24 and 25)	**1,178**	29,211
Total Noncurrent Liabilities	**854,972**	1,014,619
Total Liabilities	**1,189,115**	1,366,039

(Forward)

	As of March 31,	
	2012	2011 (Restated)
Equity Attributable to Equity Holders of the Parent Company (Note 15)		
Redeemable preferred stock	**$45,905**	$14,585
Common stock	**74,702**	74,698
Additional paid-in capital	**801,151**	590,197
Accumulated share in other comprehensive losses of associates (Note 8)	**(59,091)**	(11,301)
Cumulative translation adjustments	**(22,896)**	(14,477)
Retained earnings	**475,570**	417,547
Cost of common stock held in treasury	**(52,987)**	(52,987)
	1,262,354	1,018,262
Non-controlling Interests	**196,288**	172,886
Total Equity	**1,458,642**	1,191,148
TOTAL LIABILITIES AND EQUITY	**$2,647,757**	$2,557,187

See accompanying Notes to Unaudited Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

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

	For The Three-Month Periods Ended March 31		
	2012	2011 (Restated)	2010
REVENUE			
Sale of electricity	**$347,772**	$300,472	$311,929
Equity in net earnings of associates (Note 8)	**39,543**	12,731	34,991
Interest	**2,088**	1,606	2,570
Mark-to-market gain on derivatives – net (Note 25)	**227**	905	743
Others	**966**	1,556	1,038
	390,596	317,270	351,271
COST OF SERVICES AND EXPENSES			
Cost of sale of electricity			
Fuel cost	**(260,935)**	(213,822)	(223,527)
Depreciation and amortization	**(15,471)**	(15,455)	(13,467)
Power plant operations and maintenance	**(9,394)**	(10,337)	(12,034)
General and administrative			
Staff costs	**(2,226)**	(3,121)	(2,530)
Other administrative expenses	**(8,175)**	(7,476)	(11,767)
	(296,201)	(250,211)	(263,325)
OTHER CHARGES			
Interest expense and financing charges	**(19,120)**	(22,538)	(27,089)
Foreign exchange loss – net	**(849)**	(1,363)	(1,660)
Others	**(176)**	(74)	–
INCOME BEFORE INCOME TAX	**74,250**	43,084	59,197
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	**10,978**	12,452	12,699
Deferred	**(3,332)**	(1,620)	(3,505)
	7,646	10,832	9,194
NET INCOME	**$66,604**	$32,252	$50,003
Attributable to:			
Equity holders of the Parent Company	**$52,116**	$19,205	$36,099
Non-controlling interests	**14,488**	13,047	13,904
	$66,604	$32,252	$50,003
Basic/ Diluted Earnings (Loss) per Share for Net Income Attributable to the Equity Holders of the Parent Company (Note 16)	**$0.015**	$0.006	$0.012

See accompanying Notes to Unaudited Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	For The Three-Month Periods Ended March 31		
	2012	2011 (Restated)	2010
NET INCOME	**$66,604**	$32,252	$50,003
OTHER COMPREHENSIVE INCOME (LOSS):			
Share in other comprehensive income (losses) of associates (Note 8)	**(25,307)**	9,705	(269)
Exchange differences on foreign currency translation	**73**	86	146
Net gains (loss) on cash flow hedge – net of tax (Note 25)	**2,705**	2,912	(6,610)
	(22,529)	12,703	(6,733)
TOTAL COMPREHENSIVE INCOME	**$44,075**	$44,955	$43,270
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**$28,417**	$30,742	$32,005
Non-controlling interests	**15,658**	14,213	11,265
	$44,075	$44,955	$43,270

FIRST GEN CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED MARCH 31, 2012, 2011 AND 2010

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

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock										
	Redeemable Preferred Stock	Common Stock	Additional Paid-in Capital	Deposit for Future Stock Subscription	Accumulated Share in Other Comprehensive Income (Losses) of Associates	Cumulative Translation Adjustments	Retained Earnings	Cost of Common Stock Held in Treasury	Subtotal	Non-controlling Interests	Total
BALANCES AT DECEMBER 31, 2011	**$38,159**	**$74,701**	**$801,148**	**$–**	**($33,784)**	**($24,504)**	**$423,454**	**($52,987)**	**$1,226,187**	**$180,630**	**$1,406,817**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**(25,307)**	**1,608**	**52,116**	**–**	**28,417**	**15,658**	**44,075**
Proceeds from issuance of perpetual preferred shares	**7,746**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,746**	**–**	**7,746**
Exercise of stock options	**–**	**1**	**3**	**–**	**–**	**–**	**–**	**–**	**4**	**–**	**4**
BALANCES AT MARCH 31, 2012	**$45,905**	**$74,702**	**$801,151**	**$–**	**($59,091)**	**($22,896)**	**$475,570**	**($52,987)**	**$1,262,354**	**$196,288**	**$1,458,642**
BALANCES AT DECEMBER 31, 2010	$14,585	$74,697	$590,193	$–	($21,006)	($16,309)	$400,123	($52,987)	$989,296	$158,673	$1,147,969
Total comprehensive income (loss)	–	–	–	–	9,705	1,832	19,205	–	30,742	14,213	44,955
Exercise of stock options	–	1	4	–	–	–	–	–	5	–	5
Cash dividends on preferred shareholders	–	–	–	–	–	–	(1,781)	–	(1,781)	–	(1,781)
BALANCES AT MARCH 31, 2011	**$14,585**	**$74,698**	**$590,197**	**$–**	**($11,301)**	**($14,477)**	**$417,547**	**($52,987)**	**$1,018,262**	**$172,886**	**$1,191,148**
BALANCES AT DECEMBER 31, 2009	$13,561	$45,915	$320,455	$93,318	($78,516)	($9,642)	$330,930	($52,987)	$663,034	$144,003	$807,037
Total comprehensive income (loss)	–	–	–	–	(269)	(3,825)	36,099	–	32,005	11,265	43,270
Proceeds from Stock Rights Offering	–	28,781	180,285	–	–	–	–	–	209,066	–	209,066
Transaction costs on Stock Rights Offering	–	–	(3,874)	–	–	–	–	–	(3,874)	–	(3,874)
Conversion of deposits to additional paid-in capital	–	–	93,318	(93,318)	–	–	–	–	–	–	–
Investment in capital stock by a non-controlling shareholder	–	–	–	–	–	–	–	–	–	11	11
BALANCES AT MARCH 31, 2010	**$13,561**	**$74,696**	**$590,184**	**$–**	**($78,785)**	**($13,467)**	**$367,029**	**($52,987)**	**$900,231**	**$155,279**	**$1,055,510**

FIRST GEN CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three-Month Periods Ended March 31		
	2012	2011 (Restated)	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**$74,250**	$43,084	$59,197
Adjustments for:			
Equity in net earnings of associates	**(39,543)**	(12,731)	(34,991)
Interest expense and financing charges	**19,120**	22,538	27,089
Depreciation and amortization	**15,471**	15,455	13,467
Interest income	**(2,088)**	(1,606)	(2,570)
Net unrealized foreign exchange loss (gain)	**(753)**	1,007	1,746
Mark-to-market gain on derivatives – net	**(227)**	(905)	(743)
Income before working capital changes	**66,230**	66,842	63,195
Decrease (increase) in:			
Receivables	**(11,886)**	(58,321)	(41,366)
Inventories	**(234)**	16	41,747
Other current assets	**3,525**	(1,672)	1,352
Increase (decrease) in:			
Accounts payable and accrued expenses	**(5,727)**	47,857	40,527
Retirement liability	**182**	(555)	25
Cash generated from operations	**52,090**	54,167	105,480
Interest received	**745**	206	1,069
Income taxes paid	**(6,767)**	(5,975)	(6,849)
Net cash provided by operating activities	**46,068**	48,398	99,700
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investments in associates (Note 8)	**(43,678)**	(27,368)	(53,395)
Property, plant and equipment	**(105)**	(517)	(113)
Additions to other noncurrent assets	**(9,509)**	(8,621)	(2,922)
Dividends received from an associate	**2,075**	–	–
Proceeds from disposal of property and equipment	**–**	17	–
Net cash used in investing activities	**(51,217)**	(36,489)	(56,430)

(Forward)

	Three-Month Periods Ended March 31		
	2012	2011 (Restated)	2010
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Issuance of Perpetual Preferred shares – net of transaction costs (Note 13)	**$7,746**	$–	$–
Issuance of long-term debt – net of debt issue costs (Note 13)	**47,790**	190,986	–
Common stock Rights Offering – net of transaction cost	**–**	–	205,192
Exercise of stock options	**4**	5	–
Investment in capital stock by non-controlling shareholder	**–**	–	11
Payments of:			
Redemption of Convertible Bonds (Note 12)	**–**	(83,817)	–
Buy-back of Convertible Bonds (Note 12)	**(3,771)**	–	(18,637)
Long-term debt	**–**	(1,839)	(1,161)
Interest expense and financing charges	**(6,831)**	(5,417)	–
Cash dividends to preferred shareholders	**(9,687)**	(1,781)	(16,407)
Proceeds from (payment of) other noncurrent liabilities	**–**	(315)	2,920
Advances from (payments to) related parties	**(206)**	(158)	(754)
Net cash provided by financing activities	**35,045**	97,664	171,164
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**188**	465	3,914
NET INCREASE IN CASH AND CASH EQUIVALENTS	**30,084**	110,038	218,348
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**265,909**	201,251	125,531
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**$295,993**	$311,289	$343,879

See accompanying Notes to Unaudited Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

1. Corporate Information

First Gen Corporation (the Parent Company or First Gen) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1998. The Parent Company and its subsidiaries (collectively referred to as First Gen Group) are involved in the power generation business. All subsidiaries (see Note 2) are incorporated in the Philippines.

On February 10, 2006, the Parent Company has successfully completed the Initial Public Offering (IPO) of 193,412,600 common shares, including the exercised greenshoe options of 12,501,700 common shares in the Philippines 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 has 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).

As of March 31, 2012, First Philippine Holdings Corporation (FPHC) directly and indirectly owns 66.2% of the common stocks of First Gen and 100% of First Gen's voting preferred stocks. FPHC is the ultimate parent company of First Gen.

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

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The unaudited consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The unaudited 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.

<u>Statement of Compliance</u>
The unaudited consolidated financial statements of First Gen Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

<u>Significant Accounting and Financial Reporting Policies</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new and amended accounting standards that became effective beginning January 1, 2011.

The adoption of the following changes in Philippine Accounting Standards (PAS), PFRS and Philippine Interpretations did not have any significant impact on the First Gen Group's consolidated financial statements:

- PAS 24, *Related Party Disclosures* (Amendment), clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

- Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement* (Amendment), an interpretation of PAS 19, *Employee Benefits*, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits an entity to treat the benefit of such an early payment as an asset.

- Philippine Interpretation IFRIC 19*, Extinguishing Financial Liabilities with Equity Instruments*, clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRSs

In May 2010, the International Accounting Standards Board issued omnibus of amendments to the following standards, primarily with a view to removing inconsistencies and clarifying wording, which were approved by the Philippine Financial Reporting Standards Council in its meeting in July 2010. Unless otherwise specified, the amendments are effective for annual periods beginning or after January 1, 2011. The following improvements to PFRS did not have any significant impact on the financial position and performance of the First Gen Group:

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

Basis of Consolidation

Basis of consolidation starting January 1, 2010

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31 each year.

Subsidiaries are fully consolidated from the date control is transferred to First Gen Group and cease to be consolidated from the date control is transferred out of First Gen Group. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies for like transactions and other events with similar circumstances. All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full on consolidation.

Losses within a subsidiary are attributed also to the non-controlling interest even if that results in a deficit balance.

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, carrying amount of any non-controlling interest (including any attributable components of other comprehensive income recorded in equity), and recognizes the fair value of the consideration received, fair value of any investment retained, and any surplus or deficit recognized in the consolidated statement of 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.

Basis of consolidation prior to January 1, 2010

The above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by First Gen Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the Parent Company, unless the non-controlling interest had a binding obligation to cover these. Losses prior to January 1, 2010 were not reallocated between non-controlling interests and the equity holders of the Parent Company.

- Upon loss of control, First Gen Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying values of such investments as of January 1, 2010 have not been restated.

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets not held by First Gen Group. For 2012, 2011and 2010, 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. Non-controlling interests are presented separately in the unaudited consolidated statement of income and within equity in the unaudited consolidated statement of financial position, separate from equity attributable to equity holders of the Parent Company. Acquisitions of non-controlling interests are accounted for using the entity concept method, whereby the difference between the consideration paid and the book value of the share in the net assets acquired is recognized as an equity transaction in the unaudited consolidated statement of changes in equity.

Subsidiaries

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

	Percentage of Voting Interest		
	2012	2011	2010
First Gen Renewables, Inc. (FGRI)	**100**	100	100
Unified Holdings Corporation (Unified)	**100**	100	100
AlliedGen Power Corporation (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 Geothermal Power Corporation (FG Geothermal)	**100**	100	100
First Gen Energy Solutions Inc. (FG Energy)	**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 Corp. (FG Bukidnon)[1]	**100**	100	100
Northern Terracotta Power Corp. (Northern Terracotta)[2]	**100**	100	100
Blue Vulcan Holdings Corporation (Blue Vulcan	**100**	100	–
Prime Meridian Powergen Corporation (Prime Meridian)	**100**	100	–
First Gas Holdings Corporation (FGHC)	**60**	60	60
FGP Corp. (FGP)[3]	**60**	60	60
First NatGas Power Corporation (FNPC)[4]	**60**	60	60
First Gas Power Corporation (FGPC)[5]	**60**	60	60
First Gas Pipeline Corporation (FG Pipeline)[5]	**60**	60	60
FGLand Corporation (FG Land)[5]	**60**	60	60

[1]*Through FGRI*
[2]*On September 7, 2010, Northern Terracotta was incorporated and registered with the Philippine SEC. As of September 30, 2011, Northern Terracotta has not yet started its commercial operations.*
[3]*Through Unified*
[4]*Through AlliedGen*
[5]*Through FGHC*

All of the foregoing subsidiaries are incorporated in the Philippines.

As of March 31, 2012 and 2011, AlliedGen, FNPC, FG Luzon, FG Visayas, FG Mindanao, FG Geothermal, FG Premier, FG Prime, FG Visayas Energy, Northern Terracotta, Blue Vulcan and Prime Meridian have not started commercial operations.

Business Combination and Goodwill

Business combinations starting January 1, 2010

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 acquisition date fair value 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 the proportionate share of 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 unaudited consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be 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, will be recognized in accordance with PAS 39 either in the consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not 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 this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the unaudited 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.

Business combinations prior to January 1, 2010
Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets. This involved recognizing identifiable assets and liabilities of the acquired business initially at fair value. If the acquirer's interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the acquirer shall (a) reassess the identification and measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost of the combination; and (b) recognize immediately in the consolidated statement of income any excess remaining after that reassessment. When a business combination involves more than one exchange transaction, each exchange transaction shall be treated separately using the cost of the transaction and fair value information at the date of each exchange transaction to determine the amount of any goodwill associated with that transaction. This results in a step-by-step comparison of the cost of the individual investments with First Gen Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at each exchange transaction. The fair values of the acquiree's identifiable assets, liabilities and contingent liabilities may be different on the date of each exchange transaction. Any adjustments to those fair values relating to previously held interests of First Gen Group is a revaluation to be accounted for as such and presented separately as part of equity. If the revaluation relates directly to an identifiable fixed asset, the revaluation will be transferred directly to retained earnings when the asset is derecognized in whole through disposal or as the asset concerned is depreciated or amortized.

The goodwill from investments in subsidiaries is included as a noncurrent asset item under the "Goodwill and Intangibles assets" account in the unaudited consolidated statement of financial position. The goodwill on investment in associates is included in the carrying amount of the related investment.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Financial Instruments

Date of recognition

Financial instruments within the scope of PAS 39 are recognized in the unaudited 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.

Determination of fair value

The fair value for financial instruments traded in active markets at financial reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

"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 unaudited 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 unaudited 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 or 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 unaudited consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized in the unaudited 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 March 31, 2012. Classified under financial assets at FVPL are the option assets relating to the call option to purchase EDC shares as of March 31, 2011 (see Notes 24 and 25).

Classified under financial liabilities at FVPL are the Parent Company's foreign currency forwards as of March 31, 2012. There were no financial liabilities at FVPL as of March 31, 2011 (see Notes 24 and 25).

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 parts of the effective interest rate. Gains and losses are recognized in the unaudited 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 unaudited consolidated statement of income.

First Gen Group has no HTM investments as of March 31, 2012 and 2011.

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 unaudited 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, receivables, and advances to non-controlling shareholder, as of March 31, 2012 and 2011 (see Notes 4, 5, 7, 10, 24 and 25).

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 unaudited 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 membership shares are carried at cost, net of impairment. Accounting for the movement in equity is presented in the unaudited consolidated statement of changes in equity.

Classified under AFS financial assets are investments in proprietary membership shares as of March 31, 2012 and 2011 (see Note 24).

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 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 unaudited consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Classified under loans and borrowings are accounts payable and accrued expenses, due to related parties, bonds payable and long-term debt as of March 31, 2011 and 2012 (see Notes 11, 12, 13, 24 and 25).

Derivative Financial Instruments and Hedge Accounting

First Gen Group enters into derivative and hedging transactions, primarily interest rate swaps, currency forwards and range bonus 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 unaudited consolidated statement of income for the current period under "Mark-to-market gain (loss) 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.

First Gen Group accounts for its interest rate swap agreements as cash flow hedges of the floating rate exposure of its long-term debt. 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 Note 25).

First Gen Group has no derivatives that are designated as fair value hedges as of March 31, 2012 and 2011.

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 unaudited 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 unaudited consolidated statement of financial position while the ineffective portion is recognized as "Mark-to-market gain (loss) on derivatives - net" account in the unaudited consolidated statement of income.

Amounts taken to other comprehensive income (loss) are transferred to the unaudited 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 unaudited 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 unaudited consolidated statement of income.

Embedded derivatives
An embedded derivative is a component if 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 away similar to a stand-alone derivative.

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 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.

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 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 unaudited 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 unaudited 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, 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 unaudited 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 unaudited 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 "Interest income" in the unaudited 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 unaudited consolidated statement of income, the impairment loss is reversed through the unaudited consolidated statement of income.

Offsetting Financial Instruments

Financial assets and liabilities are offset with the net amount reported in the unaudited 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 unaudited 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 26(a)], which is based on weighted average cost of actual fuel consumed. NRV for spare parts and supplies is the current replacement cost.

Prepaid Taxes

Prepaid taxes (included in "Other current assets" account in the unaudited 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 or unsold certificates for claims from input 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, or sold to third parties.

Investments in Associates

An associate is an entity over which First Gen Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

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

	Percentage of Voting Interest		
	As of March 31		
	2012	2011	2010
First Gen Northern Energy Corp. (FGNEC) [1]	**33**	33	33
Prime Terracota[2]	**45**	45	45
FG Hydro[3]	**40**	40	40
Bauang Private Power Corporation (BPPC)[4]	**37**	37	37

[1] The equity transaction between MPIC, AC 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%.

[3] Direct voting by the Parent Company in FG Hydro is 40% while its effective economic interest is 64%.

[4] 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 (see Note 8).

As of March 31, 2012 and 2011, Prime Terracota's subsidiaries include the following companies:

	Percentage of Ownership	
	2012	2011
Red Vulcan	***100***	*100*
EDC	***60***	*60*
EDC Drillco Corporation	***60***	*60*
First Luzon Geothermal Energy Corporation (FL Geothermal)	***60***	*60*
Green Core Geothermal Inc. (GCGI)	***60***	*60*
Bac-Man Geothermal Inc. (BGI)	***60***	*60*
Unified Leyte Geothermal Energy Inc. (ULGEI)	***60***	*60*
EDC Wind Energy Holdings, Inc.	***60***	*60*
EDC Burgos Wind Power Corporation	***60***	*60*
EDC Chile Limitada	***60***	*60*
Southern Negros Geothermal (SNGI)	***60***	*60*
EDC Mindanao Geothermal Inc. (EMGI)	***60***	*60*
Bacman Energy Development Corporation (BEDC)	***60***	*60*
EHIL	***60***	*60*
EDC HKL	***60***	*60*
Kayabon Geothermal Inc. (KGI)	***60***	*60*

Divestment of First Gen's 60% Equity Stake in FG Hydro

- On October 16, 2008 (the "First Closing Date"), First Gen (as "Seller"), EDC (as "Buyer") and FG Hydro (collectively referred to as "Parties"), executed a Share Purchase and Investment Agreement (SPIA) for the divestment of First Gen's 60% equity stake in FG Hydro. FG Hydro owns and operates the newly upgraded and rehabilitated 132 Megawatt (MW) Pantabangan-Masiway Hydro-Electric Power Plant (PAHEP/MAHEP) in Pantabangan, Nueva Ecija. PAHEP/MAHEP was acquired by FG Hydro on September 8, 2006 as a part of National Power Corporation's (NPC) asset privatization.

- Pursuant to the terms and conditions of the SPIA, the following transactions constituted the divestment:

  a. EDC subscribed to 101,281,942 newly issued common stocks of FG Hydro on the First Closing Date;
  b. First Gen sold 249,287,223 common stocks of its holdings in FG Hydro to EDC on November 17, 2008 (the "Second Closing Date"); and
  c. First Gen shall subscribe to 500,000 preferred stocks of FG Hydro.

- Consistent with the SPIA, the acquisition by EDC was through a combination of primary issuance by FG Hydro of up to 17% interest and sale of secondary stocks by First Gen of up to 43% interest in FG Hydro. Further, FG Hydro returned to First Gen the deposits for future stock subscriptions amounting to $13.0 million (₱648.0 million).

- On October 20, 2008, the Parties executed a First Supplement to the SPIA whereby the issuance of the preferred stocks to First Gen shall be deferred pending finalization of the features of the preferred stocks. As of March 16, 2011, the Parties have agreed to amend the features of the preferred stocks covered by the First Supplement to the SPIA. With this amendment, FG Hydro submitted its application to amend its Articles of Incorporation to the Philippine SEC, and was subsequently approved by the Philippine SEC on May 9, 2011.

- On the Second Closing Date, First Gen completed the divestment of its 60% equity stake in FG Hydro in favor of EDC for a total consideration of $85.2 million (₱4.3 billion).

- As a result of the divestment, First Gen's direct and indirect voting interests in FG Hydro were 40% and 36%, respectively, and its effective economic interest was 64%. The Parent Company recognized a $28.4 million equity reserve which was recorded in the "Equity Reserve" account in the equity section of the 2008 consolidated statement of financial position.

- FG Hydro was subsequently deconsolidated on May 12, 2009 due to the dilution of First Gen's controlling interest over Prime Terracota.

- On May 9, 2011, the Philippine SEC approved the amendment of the articles of incorporation of FG Hydro reclassifying the unissued redeemable preferred shares into redeemable preferred Series A and B shares. Included in the features of the preferred shares Series B is that it shall earn cumulative dividends for each year during the period commencing January 1, 2009 and ending on December 31, 2013, as may declared and paid from time to time in amounts and on such dates as may be declared by the board of directors of FG Hydro, subject to the availability of FG Hydro's retained earnings. Following the approval of the amended articles of incorporation of FG Hydro, the Parent Company has fully subscribed to 500,000 redeemable preferred stocks, with an issue value of ₱0.5 million, in June 2011.

Under the equity method, such investments in associates are carried in the unaudited 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 unaudited consolidated statement of income, and its share in post-acquisition movements in the associates' other comprehensive income (loss) and equity items is recognized directly in the unaudited 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. Goodwill relating to associates are included in the carrying amount of the investment and is not amortized or separately tested for impairment.

Included under the investments in associates are the Parent Company's deposits for future stock subscriptions to its associates. Such deposits represent nonrefundable advances to the associates and will be settled by the exchange of a fixed number of the associates' equity instruments.

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.

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 bring 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.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to the unaudited consolidated statement of income in the period 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
Buildings and other structures	5-25
Machinery and equipment	2-25
Transportation equipment	5
Furniture, fixtures and office equipment	3-10
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.

Prepaid Gas

Prepaid gas (included in "Other noncurrent assets" account in the unaudited consolidated statement of financial position) consists of payments to Gas Sellers for unconsumed gas, net of any adjustment. The prepaid gas is recoverable in the form of future gas deliveries in the order that it arose and can be consumed within a ten-year period. The terms and conditions on the payment and recovery of outstanding prepaid gas are covered by the respective Settlement Agreements (SA) and Payment Deferral Agreements (PDA) of FGP and FGPC.

If it should be determined at some future date that the likelihood of any amount of gas usage or delivery is remote, then the relevant amount deemed no longer realizable will be written off from the unaudited consolidated statement of income.

Impairment of Non-financial Assets

Property, plant and equipment, intangible assets, prepaid gas 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 unaudited consolidated statement of income in the period 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. 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 unaudited 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 unaudited 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 loss in the unaudited consolidated statement of income.

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 unaudited consolidated statement of income in the period 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. 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 unaudited consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives 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 unaudited consolidated statement of income in the period the asset is derecognized.

As of March 31, 2012 and 2011, First Gen Group's intangible asset with finite life pertains to pipeline rights that are being amortized for 22 years.

Unearned Revenue
Unearned revenue (included in "Other noncurrent liabilities" account in the unaudited consolidated statement of financial position) represents payments received from Meralco which corresponds to the unconsumed gas in connection with the respective SAs and PDAs of FGP and FGPC (see Note 14). Such can be realized in case the actual gas consumed by the power plant in generating electricity to Meralco exceed the Take-or-Pay Quantities (TOPQ) at any given year.

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 unaudited 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 “Interest expense and financing charges” account in the unaudited 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 where it is located. 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 is expensed as incurred and recognized in the unaudited consolidated statement of income as an accretion under “Interest expense and financing charges” account in the unaudited 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 unaudited consolidated financial statements but are disclosed in the notes to unaudited 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 unaudited consolidated financial statements when an inflow of economic benefits is probable.

Retirement Benefits

The Parent Company and certain of its subsidiaries have distinct, funded, noncontributory, defined benefit retirement plans. The plans cover all permanent employees, each administered by its respective retirement committee.

The cost of providing benefits under the defined benefit retirement plans is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits obligation in the future with respect to services rendered in the current year.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against the unaudited consolidated statement of income when the net cumulative unrecognized actuarial gains and losses at the end of previous year exceeded 10% of the higher between the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

Past service costs are recognized immediately as an expense in the unaudited consolidated statement of income, unless the changes to the retirement plans are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

The defined benefit or liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service costs not yet recognized and the fair value of plan assets on which the obligations are to be settled directly. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms that will approximate the terms of the related retirement obligation upon maturity. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plans or reductions in the future contributions to the plans.

Share-based Payment Transactions

Certain employees (including senior executives) of First Gen Group, FPHC 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 is determined using the Black-Scholes-Merton model. In valuing equity-settled transactions, no account is taken to any performance conditions, other than conditions linked to the price of the stocks of the Parent Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognized for equity-settled transactions at each financial reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for a year represents the movement in cumulative expense recognized as of the beginning and end of that period.

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 16).

Income Tax

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. First Gen Group does not recognize deferred income tax assets and deferred income tax liabilities that will reverse during the income tax holiday (ITH) period.

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 unaudited consolidated statement of equity and not in the unaudited consolidated statement of income.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and deferred income taxes relate to the same taxable entity and the same tax authority.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting will commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the unaudited consolidated statement of income on a straight-line basis over the lease terms.

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 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 sold at premium, otherwise such are expensed as incurred.

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, and presented in the equity section of the unaudited consolidated statement of financial position.

Treasury Stocks
Acquired treasury stocks are accounted for at weighted average cost and shown as a deduction in the equity section of the unaudited consolidated statement of financial position. No gain or loss is recognized in the unaudited consolidated statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Upon reissuance of treasury stocks, the "Cost of preferred and common stocks 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.

Retained Earnings

The amount included in retained earnings includes profit 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 First Gen Group'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 additional 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 (in the case 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.

Interest income

Interest income is recognized as interest accrues based on effective interest rate.

Equity in net earnings (losses) of associates

First Gen Group recognizes its share in the net income (losses) of associates proportionate to the equity in the economic shares of such associate, in accordance with the equity method of

accounting for investments. If an associate has outstanding cumulative preferred stocks that are held by parties other than the investor and classified as equity, First Gen Group computes its share in profits or losses after adjusting for the dividends on such shares, whether or not the dividends have been declared.

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 include interest charges and other costs incurred in connection with the borrowing of funds, including 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, net of interest income earned on any investment of such funds.

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. 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 are capitalized until the asset is substantially ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the unaudited consolidated statement of income. All other borrowing costs are expensed in the period they occur.

Foreign Currency Transactions

The unaudited 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 unaudited 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 and FGPC, 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 "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 unaudited 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 period attributable to common shareholders by the weighted average number of common stocks outstanding during the period, 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 3.

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 unaudited consolidated financial statements. Events after financial reporting date that are not adjusting events, if any, are disclosed, in the notes to unaudited 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, 2011. 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 financial statements.

Effective in 2012

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition* (Amendment), requires additional disclosures about financial assets that have been transferred, but not derecognized, to enable the user of the First Gen Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of and risks associated with, the entity's continuing involvement in those derecognized assets.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendment), provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will, normally, be through sale.

Effective in 2013

- 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). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. 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 statement of financial position;
  c) The net amounts presented in the 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 amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and 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.

- PFRS 10, *Consolidated Financial Statements*, includes a new definition of control, which is used to determine which entities are consolidated. It establishes a single control model that applies to all 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.

- PFRS 11, *Joint Arrangements*, describes the accounting for joint arrangements with joint control; proportionate consolidation is not permitted for joint ventures. It replaces PAS 31, *Interests in Joint Ventures*, and Standards Interpretation Committee 13, *Jointly-Controlled Entities - Non-Monetary Contributions*, by venturers. It addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control.

- PFRS 12, *Disclosure of Interests in Other Entities*, includes all of the disclosure requirements for subsidiaries, joint arrangements, associates, and structured entities. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

- PFRS 13, *Fair Value Measurement*, represents the completion of the joint project to establish a single source for the requirements on how to measure fair value under IFRS. This new standard does not change when an entity is required to use fair value, but rather, describes how to measure fair value under PFRS, when fair value is required or permitted to be used.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*, change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.

- PAS 19, *Employee Benefits* (Amendment), include changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording.

- PAS 27, *Separate Financial Statements* (as revised in 2011), as a consequence of the new IFRS 10 and IFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011), as a consequence of the new IFRS 11 and IFRS 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.

- 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") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

Effective in 2014

- 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.

Effective in 2015

- PFRS 9, *Financial Instruments: Classification and Measurement*, introduces new requirements on the classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in PAS 39. The approach in the new standard is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in PAS 39. The new standard represents the completion of the first part of a three-part project of the IASB to replace PAS 39 with a new standard. The second part of the project will address proposals on the impairment methodology for financial assets and the third part, on hedge accounting.

Deferred Effectivity

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of

completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

On July 28, 2011, in consideration of the Position Paper submitted by various real estate industry associations with respect to the application of Philippine Interpretation IFRIC 15 and the on-going deliberation over the revenue standard project by the IASB, the Philippine SEC decided to further defer implementation of the said interpretation until the final Revenue Standard is issued by the IASB and after an evaluation on the requirements and guidance in the said Standard vis-á-vis the practices and regulations in the Philippine real estate industry is completed.

3. Operating Segment Information

Operating segments are components of First Gen Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by First Gen Group's 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;
- 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;
- EDC, which operates the 12 geothermal steamfield in the 5 geothermal renewable service contract areas. As of March 31, 2012 the Parent Company has an 8.80% direct economic interest and 40% indirect economic (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; and,
- FG Hydro, which operates the 132 MW PAHEP/MAHEP, and where the Parent Company has a 40% direct economic interest.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The classification of segment revenue is consistent with the unaudited consolidated statement of income. Segment expenses pertain to the costs and expenses presented in the unaudited 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 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 benefits will flow to First Gen Group and that the revenue can be reliably measured. Substantially all of the segment revenues of FGP and FGPC are derived from Meralco, the sole customer of FGP and FGPC; while close to 43.0% of EDC's segment revenues are derived from existing long-term PPAs with NPC.

Financial information on the business segments are summarized as follows:

	For the Three-Month Period ended March 31, 2012						
	FGPC	**FGP**	**EDC & GCGI**	**FG Hydro**	**Others**	**Eliminating Entries[1]**	**Total**
Segment revenue	**$229,014**	**$121,943**	**$186,867**	**$32,993**	**$58,814**	**($239,035)**	**$390,596**
Segment expenses	**(180,312)**	**(93,908)**	**(90,476)**	**(2,172)**	**(24,157)**	**109,270**	**(281,755)**
Segment results	**48,702**	**28,035**	**96,391**	**30,821**	**34,657**	**(129,765)**	**108,841**
Interest expense and financing charges	**(10,394)**	**(6,464)**	**(20,895)**	**(2,556)**	**(6,014)**	**27,203**	**(19,120)**
Depreciation and amortization	**(8,790)**	**(6,591)**	**(20,850)**	**(2,418)**	**(132)**	**23,310**	**(15,471)**
Income before income tax	**29,518**	**14,980**	**54,646**	**25,847**	**28,511**	**(79,252)**	**74,250**
Provision for income tax	**(5,653)**	**(1,967)**	**(5,281)**	**(2)**	**(862)**	**6,119**	**(7,646)**
Net income (loss)	**$23,865**	**$13,013**	**$49,365**	**$25,845**	**$27,649**	**($73,133)**	**$66,604**

[1]Pertains to revenue and expenses of Prime Terracota, Red Vulcan, EDC and FG Hydro for the three-month period ended March 31, 2012.

	For the Three-Month Period ended March 31, 2011 (Restated)						
	FGPC	FGP	EDC & GCGI	FG Hydro	Others	Eliminating Entries[1]	Total
Segment revenue	$199,200	$102,948	$169,692	$12,039	$15,179	($181,788)	$317,270
Segment expenses	(150,486)	(79,649)	(83,788)	(2,740)	(6,101)	86,571	(236,193)
Segment results	48,714	23,299	85,904	9,299	9,078	(95,217)	81,077
Interest expense and financing charges	(10,942)	(1,638)	(21,072)	(2,648)	(12,838)	26,600	(22,538)
Depreciation and amortization	(8,774)	(6,590)	(39,266)	(2,303)	(90)	41,568	(15,455)
Income before income tax	28,998	15,071	25,566	4,348	(3,850)	(27,049)	43,084
Provision for income tax	(7,978)	(2,827)	(1,547)	142	(24)	1,402	(10,832)
Net income (loss)	$21,020	$12,244	$24,019	$4,490	($3,874)	($25,647)	$32,252

[1]Pertains to revenue and expenses of Prime Terracota, Red Vulcan, EDC and FG Hydro for the three-month period ended March 31, 2011.

1

	For the Three-Month Period ended March 31, 2010						
	FGPC	FGP	EDC & GCGI	FG Hydro	Others	Eliminating Entries[1]	Total
Segment revenue	$190,668	$124,792	$165,015	$33,795	$4,355	($167,354)	$351,271
Segment expenses	(142,691)	(101,193)	(67,127)	(2,562)	(7,605)	69,660	(251,518)
Segment results	47,977	23,599	97,888	31,233	(3,250)	(97,694)	99,753
Interest expense and financing charges	(11,545)	(1,987)	(16,539)	(1,841)	(20,972)	25,795	(27,089)
Depreciation and amortization	(8,366)	(5,013)	(17,546)	(1,916)	(89)	19,463	(13,467)
Income before income tax	28,066	16,599	63,803	27,476	(24,311)	(52,436)	59,197
Provision for income tax	(6,752)	(2,404)	(10,165)	(102)	(53)	10,282	(9,194)
Net income (loss)	$21,314	$14,195	$53,638	$27,374	($24,364)	($42,154)	$50,003

Pertains to revenue and expenses of Prime Terracota, Red Vulcan, EDC and FG Hydro for the three-month period ended March 31, 2010.

Other financial information of the business segments are as follows:

	As of March 31, 2012							
	FGPC	**FGP**	**EDC & GCGI**	**FG Hydro**	**Others**	**Discontinued Operations[1]**	**Eliminating Entries[2]**	**Total**
Current assets	**$305,433**	**$172,308**	**$473,099**	**$89,161**	**$347,411**	**($562,260)**	**($224,895)**	**$600,257**
Noncurrent assets	**570,406**	**238,481**	**1,926,346**	**157,115**	**1,454,407**	**(2,083,461)**	**(215,794)**	**2,047,500**
Total assets	**$875,839**	**$410,789**	**2,399,445**	**$246,276**	**$1,801,818**	**($2,645,721)**	**($440,689)**	**$2,647,757**
Current liabilities	**$155,238**	**$94,057**	**$289,151**	**$15,481**	**$249,961**	**($304,632)**	**($165,113)**	**$334,143**
Noncurrent liabilities	**470,414**	**64,628**	**1,077,917**	**97,978**	**319,930**	**(1,175,895)**	**–**	**854,972**
Total liabilities	**$625,652**	**$158,685**	**$1,367,068**	**$113,459**	**$569,891**	**($1,480,527)**	**($165,113)**	**$1,189,115**

[1]Pertains to assets and liabilities of Prime Terracota, Red Vulcan, EDC, GCGI and FG Hydro as of March 31, 2012.
[2]Pertains to intercompany assets and liabilities eliminated upon consolidation.

	As of March 31, 2011 (Restated)							
	FGPC	FGP	EDC & GCGI	FG Hydro	Others	Discontinued Operations[1]	Eliminating Entries[2]	Total
Current assets	$267,283	$141,103	$788,380	$50,198	$273,812	($838,578)	($133,547)	$548,651
Noncurrent assets	607,650	264,095	1,692,300	161,496	1,417,140	(1,853,796)	(280,349)	2,008,536
Total assets	$874,933	$405,198	$2,480,680	$211,694	$1,690,952	($2,692,374)	($413,896)	$2,557,187
Current liabilities	$142,619	$86,408	$405,545	$11,697	$402,664	($417,242)	($280,271)	$351,420
Noncurrent liabilities	506,522	101,599	1,141,650	105,044	406,498	(1,246,694)	–	1,014,619
Total liabilities	$649,141	$188,007	$1,547,195	$116,741	$809,162	($1,663,936)	($280,271)	$1,366,039

[1]Pertains to assets and liabilities of Prime Terracota, Red Vulcan, EDC, GCGI and FG Hydro as of March 31, 2011.
[2]Pertains to intercompany assets and liabilities eliminated upon consolidation.

4. Cash and cash equivalents

	2012	2011
Cash on hand and in banks	**$14,198**	$37,539
Short-term deposits	**281,795**	273,750
	$295,993	$311,289

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

5. Receivables

	2012	2011
Trade	**$192,138**	$130,763
Due from related parties	**9,645**	8,400
Others	**3,250**	8,158
	$205,033	$147,321

Aging of trade receivables:

Current	**$205,033**
More than 90 days past due	–
More than 120 days past due	–
Total trade receivables	**$205,033**

Trade receivables are noninterest-bearing and are generally on 30-day credit term while other receivables comprise mainly of receivables from employees, contractors and suppliers, which are collectible upon demand.

6. Inventories

	2012	2011
At cost:		
Fuel inventories	**$70,193**	$50,953
Spare parts and supplies	**38**	45
	$70,231	$50,998

7. Other Current Assets

	2012	2011
Prepaid taxes	**$10,206**	$15,195
Prepaid expenses	**11,638**	12,135
Current portion of advances to a non-controlling shareholder	**6,986**	7,056
Current portion of option assets	**–**	4,494
Others	**170**	163
	$29,000	$39,043

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

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

On April 19, 2010, the Parent Company entered into Call Option Agreements to purchase a total of 585.0 million EDC common shares for a period of three years or up to April 2013 with one third of the options expiring at the end of each year. The related call option is classified as derivative asset with mark-to-market (MTM) movements included in the unaudited consolidated statement of income.

On March 2, 2011, the Parent Company and Northern Terracotta executed a Deed of Assignment to assign and sell the Parent Company's full rights and obligations over the first tranche of an aggregate 585.0 million EDC common shares covered by the Call Option Agreements executed by the Parent Company. The assignment gives Northern Terracotta the right to exercise the call option over 195.0 million EDC shares on or before April 19, 2011, which is the expiration of the first exercise period, at an exercise price of ₱5.67 per share.

On March 8, 2011, Northern Terracotta exercised its rights to purchase the 195.0 million EDC shares at ₱5.67 a share with total cost amounting to $25.3 million (₱1,105.7 million).

On April 5, 2011, the Parent Company exercised the remaining rights to purchase the 390.0 million EDC shares at ₱5.51 a share with total cost amounting to $43.4 million (₱2,148.9 million).

8. Investment in Associates

Investments in associates consist of:

	2012	2011 (Restated)
Shares of stock - at equity		
Prime Terracota	**$97,127**	$146,325
EDC	**217,464**	95,608
FG Hydro	**42,085**	22,513
	356,676	264,446
Deposits for future stock subscriptions	**993,945**	993,502
	$1,350,621	$1,257,948

Further information relating to the investments in shares of stock are summarized below:

	2012	2011 (Restated)
Acquisition costs:		
Balance at beginning of period	**$374,941**	$269,639
Additional investment	**43,644**	27,994
Balance at end of period	**418,585**	297,633
Accumulated equity in net earnings (losses):		
Balance at beginning of period	**24,978**	30,647
Equity in net earnings for the period	**39,543**	12,731
Cash dividends	**(2,075)**	–
Balance at end of period	**62,446**	43,378

	2012	2011 (Restated)
Equity reserve in Prime Terracota	**($65,264)**	($65,264)
Share in other comprehensive losses of associates:		
Balance at beginning of period	**(33,784)**	(21,006)
Share in other comprehensive income (losses) of associates for the period	**(25,307)**	9,705
Balance at end of period	**(59,091)**	(11,301)
	$356,676	$264,446

Movements of deposits for future stock subscriptions as of March 31, 2012 and 2011 are as follows:

	2012	2011
Balance at beginning of period	**$993,911**	$940,107
Additions for the period	**34**	53,395
Balance at end of period	**$993,945**	$993,502

On December 23, 2011, the Parent Company and Prime Terracota executed a Deed of Assignment whereby the deposits for future stock subscriptions amounting to $993.9 million will be converted to equity upon the approval of Prime Terracota's application for an increase in authorized capital stock by the Philippine SEC. As of March 31, 2012, Prime Terracota's application for increase in authorized capital stock is still pending approval by the Philippine SEC.

BPPC/FPPC

On October 14, 2010, the BOD and stockholders of BPPC and FPPC approved a Plan of Merger where FPPC shall be merged into and be part of BPPC, and its separate corporate existence shall cease by operation of law. Subsequently, on December 13, 2010, the Philippine SEC approved the Certificate of Filing of the Articles and Plan of Merger. On December 15, 2010, the effective date of the Merger, FPPC transferred its assets and liabilities at their carrying values to BPPC.

Pursuant to the Articles of Merger, BPPC issued common stock to holders of FPPC common stock upon the surrender and cancellation of common stock of FPPC.

The merger was accounted for in accordance with the pooling of interest method where the identifiable assets acquired and liabilities assumed from FPPC are recognized at their carrying values and will be accounted for prospectively.

As of March 31, 2012 and 2011, the investment in BPPC amounted to nil.

FGNEC

On March 17, 2010, the Parent Company's interest in FGNEC has been reduced from 100% to 33% and, thus, FGNEC started to be accounted for as an associate (see Note 2). The Parent Company's share of losses in FGNEC for the period from March 17, 2010 to March 31, 2012 has exceeded the Parent Company's cost of investment. As such, the investment in FGNEC amounted to nil as of March 31, 2012 and 2011.

9. Goodwill and Intangible Assets

Details of the account are as follows:

	2012	2011
Goodwill	**$9,086**	$9,086
Pipeline rights – net	**7,530**	8,133
	$16,616	$17,219

Goodwill
As of March 31, 2012 and 2011, the outstanding balance of goodwill is attributable only to FGHC.

Pipeline Rights
Pipeline rights represent the construction cost of the natural gas pipeline facility connecting the natural gas supplier's refinery to FGP's power plant including incidental transfer costs incurred in connection with the transfer of ownership of the pipeline facility to the natural gas supplier. The cost of pipeline rights is amortized using the straight-line method over 22 years, which is the term of the Gas Sale and Purchase Agreements (GSPA). The remaining amortization period of pipeline rights is 12.5 years as of March 31, 2012.

10. Other Noncurrent Assets

	2012	2011
Advances to non-controlling shareholder – net of current portion	**$86,592**	$91,586
Prepaid major spare parts	**79,094**	39,942
Prepaid gas	**–**	28,118
Retirement assets	**271**	1,561
Derivative assets	**142**	–
Others	**3,960**	1,822
	$170,059	$163,029

11. Accounts Payable and Accrued Expenses

	2012	2011
Trade	**$127,891**	$112,193
Accrued interest and financing cost	**11,358**	14,628
Output VAT	**9,504**	12,875
Deferred Output VAT	**20,992**	14,210
Others	**4,832**	4,779
	$174,577	$158,685

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

12. Convertible Bonds

On February 11, 2008 (the inception date), the Parent Company issued $260.0 million, U.S. Dollar-denominated CBs due on February 11, 2013 with a coupon rate of 2.50%. The CBs are listed on the Singapore Exchange Securities Trading Limited. The CBs are traded in a minimum board lot size of $0.5 million. The CBs constitute 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.

The bonds include equity conversion option whereby each bond will be 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 has since been adjusted to ₱26.94 a share to consider the effect of the Rights Offering. The conversion right attached to the CBs may be exercised, at the option of the holder, at any time on and after March 22, 2008 up to 3:00 pm on January 31, 2013. The CBs and the stocks to be issued upon conversion of the CBs have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and subject to certain exceptions, may not be offered or sold within U.S. In addition, such conversion right is subject to a cash settlement option whereby the Parent Company may 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 has a call option where it may redeem the CBs on or after February 11, 2010, in whole but not in part, at the early redemption amount, if the closing price of the stocks for any 20 trading days out of the 30 consecutive trading days prior to the date upon which the notice of such redemption is given, was at least 130% of the conversion price in effect of such trading period, or at any time prior to maturity, in whole but not in part, at the early redemption amount, if less than 10% of the aggregate principal amount of the CBs originally issued are then outstanding. The Bondholders has a put option giving them right to require the Parent Company to redeem the CBs at the early redemption amount on February 11, 2011. The early redemption amount is determined so that it represents 7.25% gross yield to the Bondholder on a semi-annual basis. The equity conversion, call and put option features of the CB were identified as embedded derivatives and were separated from the host contract. As of March 31, 2012 and 2011, the Parent Company is in compliance with the bond covenants.

On February 11, 2011, the holders of the CBs amounting to $72.5 million exercised their put option to require the Parent Company to redeem all or some of the CBs, at a price of 115.6% of the face value. The total put value which equals the carrying amount of the CBs amounting to $83.8 million (with a face value of $72.5 million) was paid on February 11, 2011.

As of March 31, 2012, the Parent Company bought back CBs with face value of $3.0 million for a total settlement amount of $3.8 million inclusive of a premium amounting to $0.8 million.

As of March 31, 2012, the unredeemed CBs with a face value of $67.0 million and carrying value of $82.0 million will now have a maturity date of February 11, 2013.

As of March 31, 2012 and 2011, the carrying amount of the host contract amounted to $82.0 million and $132.1 million, respectively. The movements of the account are as follows:

	2012	2011
Balance at the beginning the period	**$84,662**	$213,283
Redemption of convertible bonds	**–**	(83,817)
Buy back of convertible bonds	**(3,771)**	–
Accretion during the period charged to "Interest expense and financing charges" account	**1,114**	2,630
	$82,005	$132,096

As of March 31, 2011, movement of debt issuance costs pertaining to the CBs are as follows:

Balance at beginning of period	$130
Accretion during the period charged to "Interest expense and financing charges" account	(130)
	$–

13. Long-term Debt

This account consists of long-term debt of:

	2012	2011
FGPC	**$443,709**	$475,665
FGP	**88,944**	114,324
First Gen	**321,485**	274,069
Unified	**–**	116,755
	854,138	980,813
Less current portion	**60,027**	174,091
	$794,111	$806,722

FGPC

On November 14, 2008 (the "Refinancing Date"), FGPC entered into a Bank Facility Agreement covering a $544.0 million term loan facility with nine foreign banks namely: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Calyon, KfW IPEX Bank GMBH, ING Bank N.V. (Singapore Branch), Bayerische Hypo-Und Vereinsbank AG (Hong Kong Branch), Malayan Banking Berhad, Standard Chartered Bank, Société Générale (Singapore Branch) and Kreditanstalt Für Wiederaufbau (KfW) to refinance the Santa Rita project. The term loan is broken down into three separate facilities: (i) a $312.0 million Covered Facility with political risk insurance and with a tenor of 12.5 years, (ii) a $188.0 million Uncovered Facility with a ten year tenor, and (iii) the existing $44.0 million term loan provided by KfW with a term until November 2012. A portion of the proceeds of the term loan was used to pay outstanding loans amounting to $132.0 million and the remaining balance was upstreamed to shareholders as advances. Such advances to shareholders are subject to interest rate of 175 basis points over the average of the rate for the six months U.S. dollar deposits quoted by three reputable reference banks in the Philippines, provided however, that such interest rate shall in no case exceed 5.8%. As of September 30, 2011 and 2010 total amount of advances to shareholders including accrued interest amounted to $95.8 million and $100.9 million, respectively (see Notes 8 and 11).

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 Political Risk

Insurance (PRI) and premiums payable on the PRI are in addition to the margins payable by the Company. 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 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. However, the existing swap contracts (see Note 28) with Bayerische Hypo-Und Vereinsbank AG (Hong Kong Branch) and Société Générale (Singapore Branch) have not been assigned.

As of March 31, 2012 and 2011, the unamortized debt issuance costs incurred in connection with the availment of long-term debt amounting to $9.6 million and $11.5 million, respectively, were deducted against the long-term debt.

The movements of the debt issuance costs are as follows:

	2012	2011
Balance at beginning of period	**$10,043**	$11,987
Accretion during the period charged to "Interest expense and financing charges" account	**(454)**	(502)
	$9,589	$11,485

FGP

As of March 31, 2012 and 2011, the unamortized debt issuance costs incurred in connection with the availment of long-term debt amounting to $1.6 million and $2.7 million, respectively, were deducted against the outstanding balance of the related debt.

The movements of the debt issuance costs are as follows:

	2012	2011
Balance at beginning of period	**$1,875**	$2,943
Accretion during the period charged to "Interest expense and financing charges" account	**(227)**	(280)
	$1,648	$2,663

The common terms related to the existing FGPC and FGP financing facility agreements contain covenants concerning restrictions with respect to, among others: maintenance of specified debt service coverage ratio; acquisition or disposition of major assets; pledging present and future assets; change in ownership; any acts that would result in a material adverse effect on the operations of the power plants; and maintenance of good, legal and valid title to the site free from all liens and encumbrances other than permitted liens. As of March 31, 2012 and 2011, FGPC and FGP are in compliance with the terms of the said agreements.

FGPC and FGP also have entered into separate agreements in connection with their existing financing facilities as follows:

- Mortgage, Assignment and Pledge Agreements whereby a first priority lien on most of FGPC's and FGP's real and other properties, including revenues from the operations of the power plants, have been executed in favor of the lenders. In addition, the shares of stock of FGPC and FGP 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 and FGP have each established various security accounts with designated account banks, where inflows and outflows of proceeds from loans, equity contributions and project revenues are monitored. FGPC and FGP may withdraw or transfer moneys from these security accounts, subject to and in accordance with the terms and conditions of their respective TRAs.

Parent Company

US$142.0 Million Term Loan Facility
On September 3, 2010, the Parent Company, Allied Banking Corporation, BDO Unibank, Bank of the Philippine Islands, Maybank Group, Mizuho Corporate Bank, Ltd., RCBC, Robinsons Bank Corporation, Security Bank Corporation, and UnionBank of the Philippines, (collectively referred to as "Term Loan Lenders"), and BDO Unibank - Trust and Investments Group 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 is 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 is on January 23, 2017 and January 22, 2018, respectively. The loans bear interest equivalent to the six-month LIBOR plus a margin of 3.375% per annum, and are re-priced semi-annually. The Term Loan 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 Term Loan Facility are unsecured.

At inception, the loan is recorded net of debt issuance cost amounting to $2.0 million. As of March 31, 2012 and 2011, the unamortized debt issuance costs incurred amounted to $1.7 million and $2.0 million, respectively. The movement of the account is as follows:

	2012	2011
Balance at beginning of period/ inception date	$1,743	$2,014
Accretion during the period charged to the "Interest expense and financing charges" account	(74)	(54)
	$1,669	$1,960

US$100 Million Notes Facility
On December 17, 2010 (the "Effective Date"), the Parent Company, BDO Unibank, and BDO Capital & Investment Corporation executed the Notes Facility Agreement granting the Parent Company a facility to borrow an aggregate principal amount of $100 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 $25.5 million of Tranche A and $25.5 million of Tranche B. The maturity of Tranche A and Tranche B is on March 29, 2017 and March 29, 2018, respectively. The Notes Facility offers 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 the loans at a fixed interest rate. The interest on the Notes Facility is payable on a semi-annual basis.

The Parent Company has undrawn committed notes facility amounting to $49.0 million, which is available until December 2011. The Parent Company pays a commitment fee of 0.25% per annum on the undrawn amount. On January 2, 2012, the Parent Company availed of the undrawn committed Notes Facility $24.5 million of Tranche A and $24.5 million of Tranche B with maturity dates of March 29, 2017 and March 29, 2018, respectively.

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.

At inception, the loan is recorded net of debt issuance cost amounting to $1.2 million. As of March 31, 2012 and 2011, the unamortized debt issuance costs incurred amounted to $1.0 million and $1.2 million, respectively. The movement of the account is as follows:

	2012	2011
Balance at beginning of period/ inception date	$1,037	$1,155
Accretion during the period charged to the		
“Interest expense and financing charges” account	(87)	–
	$950	$1,155

BDO Facility

On May 11, 2010 (the Effective Date), the Parent Company has signed a new 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 has a term of 5 years and 1 day from the date of the initial advance to the Parent Company. Under the Facility, the Parent Company is allowed to borrow up to ₱3,750.0 million from the effective date of the Agreement and will be available up to 90 days from such date. The total facility amount can 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 that may be availed under the Facility shall be $72.2 million. The total facility amount should be converted from pesos using the PDS closing rate on the Effective Date, which is ₱45.005 per $1.00. Principal repayments of all drawdowns will start on November 12, 2012 up to May 22, 2015. The BDO Facility offers 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. The Parent Company elected to avail the loans at a fixed rate.

As required by the Lenders, the Parent Company established a debt servicing account for the principal and interest payments, which shall be fully funded at least one (1) month prior to each interest payment or principal repayment date.

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 peso loan facility (see Note 25).

At inception, the loan is recorded net of debt issuance cost amounting to $0.8 million (₱38.4 million). As of March 31, 2012 and 2011, the unamortized debt issuance costs incurred amounted to $0.5 million and $0.7 million, respectively. The movement of the account is as follows:

	2012	2011
Balance at beginning of the period/inception date	$587	$745
Accretion during the period charged to the "Interest expense and financing charges" account	(41)	(38)
Foreign exchange difference	2	1
	$548	$708

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) arranged by a consortium of local banks namely BDO Capital and Investment Corporation (BDO), Philippine National Bank(PNB) and Rizal Commercial Banking Corporation (RCBC), BDO Trust and Investment Group (BDO Trust) and Robinsons Savings Bank (RSB), collectively referred to as "Lenders". The Note Facility was evidenced by a series of Notes, with a minimum principal amount of ₱100.0 million, bearing an annual interest rate of 9.3769% and will mature on March 9, 2012. The proceeds of the loan were advanced to First Gen, which in turn retired its existing short-term loans. Such Notes are offered pursuant to an exempt transaction under Section 10.1 of the Securities Regulations Code (SRC) and thus have not been registered with the Philippine SEC. Any future offer or sale of the Notes is subject to the registration requirements under the SRC, unless such offer or sale qualifies as an exempt transaction or the note qualifies as an exempt security.

As of March 31, 2012 and 2011, the unamortized debt issuance costs incurred amounted to nil and $1.2 million respectively.

As of March 31, 2011, movement of the account is as follows:

Balance at beginning of period	$1,492
Accretion during the period charged to "Interest expense and financing charges" account	(300)
Foreign exchange difference	11
	$1,203

On July 11, 2011, Unified fully paid the principal balance of the Notes Facility for the total amount of $123.9 million (₱5,371.6 million) inclusive of interest and taxes amounting to $5.8 million (₱253.4 million).

14. Other Noncurrent Liabilities

	2012	2011
Asset retirement obligations	**$1,178**	$1,093
Unearned revenue	–	28,118
	$1,178	$29,211

Asset Retirement Obligations
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.

15. Equity

a. **Capital Stock**

As of March 31, 2012 the Parent Company's redeemable preferred stocks consist of Series "B", Series "E", Series "F" and Series "G" stocks.

- The Series "B" redeemable preferred stocks have voting rights, are entitled to cumulative dividends of two centavos (₱0.02) per share, redeemable at the option of the Parent Company, and redeemable at issue price.

- The Series "E" preferred stocks have voting rights, are entitled to receive dividends at a dividend rate of one centavo (₱0.01) per share, and redeemable at the option of the Parent Company.

- The Series "F" preferred stocks have non-voting rights except in cases provided by law. Such preferred stocks were issued at a value of one hundred pesos (₱100.0) per share, with a dividend rate of 8.0% on the issue price. The shares are cumulative and are redeemable at the option of the Parent Company at a redemption price equal to the issue price.

- The Series "G" preferred stocks have non-voting rights except in cases provided by law. The shares are cumulative and are redeemable at the option of the Parent Company.

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

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 ₱1.00 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 ₱10.00 a share, and 135,000,000 redeemable preferred stocks (Series "G") with a par value of ₱10.00 a share.

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 shares with a par value of ₱10.0 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 Seven 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 during a special stockholders meeting held on January 25, 2012.

On July 25, 2011, the Parent Company ("First Gen") issued ₱10.0 billion Perpetual Preferred Shares (the "Preferred Shares") 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 Securities Regulation Code of One Hundred Million (100,000,000) of its Series "F" Preferred Shares with a par value of ₱10.0 per share and an issue price of ₱100.0 per share. The Preferred Shares 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 Preferred Shares outstanding. Total proceeds of the issuance of the Perpetual Preferred shares amounting to $235.7 million (₱10.0 billion). Transaction costs amounting to $1.0 million (₱43.0 million) was incurred and deducted to additional paid-in capital.

On January 26, 2011, the BOD of the Parent Company approved setting the dividend rate of ₱0.01 per share to Series "E" Preferred shares.

As discussed in Note 1, the Parent Company has successfully completed the Rights Offering of 2,142,472,791 common stocks in the Philippines, on January 22, 2010. The proceeds of the Rights Offering amounting to ₱14.8 billion ($315.3 million), net of transaction costs amounting to ₱0.2 billion ($3.9 million). Such transaction costs were deducted against additional paid-in capital.

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 will end on May 31, 2012. The number of shares and buyback 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 buyback transaction only if and to the extent that the price per share is deemed extremely undervalued, share prices are considered highly volatile, or in any other instance where the Parent Company believes that a buyback will result in enhancing shareholder value. As of September 30, 2011, there are no stocks purchased under the program.

On March 8, 2010 and May 12, 2010, the BOD and the stockholders of the Parent Company, respectively, approved the proposed reclassification of ₱1.0 billion authorized common stocks consisting of 1,000,000,000 common stocks to ₱1.0 billion authorized Series "F" preferred stocks consisting of 100,000,000 Series "F" preferred stocks and the corresponding amendment to Article Seventh of the Amended Articles of Incorporation. The proposed Series "F" preferred stocks with a par value of ₱10.00 a share shall be cumulative, non-voting except in the cases provided by law, non-participating and redeemable at the option of the Parent Company, among others.

On August 23, 2010, the Philippine SEC approved the reclassification of a portion of its authorized common stocks to preferred stocks, and the creation of new Series "F" preferred stocks.

b. **Retained Earnings**

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

- For all outstanding Series "B" preferred shares, cash dividends of two centavos (₱0.02) a share with record date of January 6, 2012 and payment date of January 25, 2012;

- For all outstanding Series "E" preferred shares, cash dividends of one centavo (₱0.01) a share with record date of January 6, 2012 and payment date of January 25, 2012; and,

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

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.

The retained earnings balance is restricted to the extent of: (a) acquisition price of the treasury shares amounting to $53.0 million as of March 31, 2012 and 2011, and (b) the undistributed net earnings of investee companies (including consolidated subsidiaries) amounting to $194.1 million and $155.3 million as of March 31, 2012 and 2011, respectively. Undistributed earnings of the investee companies are not available for dividend distribution until such time that the Parent Company receives the dividends from these investee companies.

c. **Treasury Stocks**

The number of treasury shares is as follows:

	2012	2011
Common Shares Held in Treasury:		
Balance at beginning and end of period	**(279,406,700)**	(279,406,700)

16. Earnings Per Share Calculation

	2012	2011	2010
(a) Net income attributable to equity holders of the Parent	**$52,116**	$19,205	$36,099
Less dividends on preferred shares	**1,671**	–	–
(b) Net income available to common shares	**50,445**	19,205	36,099
Add interest expense and accretion on debt issuance costs on CBs	**1,540**	3,496	7,086
(c) Net Income available to common shares adjusted for the effect of conversion of stock option and CBs	**51,985**	22,701	43,185
(d) Weighted average number of common shares for basic earnings per share	**3,362,805,101**	3,362,614,364	2,917,568,876
Effect of conversion of:			
Stock options	**418,660**	329,807	150,224
Convertible bonds	**103,858,574**	243,591,004	374,292,254
(e) Weighted average number of common shares for diluted earnings per share	**3,467,082,335**	3,606,535,175	3,292,011,354
Basic/ Diluted Earnings Per Share (b/d)	$0.015	$0.006	$0.012

For the period ended March 31, 2012, 2011 and 2010, the conversion of the CBs have an anti-dilutive effect, while the conversion of stock options did not have any impact on the diluted earnings per share calculation; thus, the diluted earnings per share is the same as the basic earnings per share.

17. Related Party Transactions

In addition to respective PPAs of FGP and FGPC with Meralco as discussed in Note 26(a) and certain advances to non-controlling shareholder as discussed in Note 13, the following are the other significant transactions with related parties:

a. Due to related parties represent noninterest-bearing U.S. dollar and Philippine peso-denominated emergency loans to meet working capital and investment requirements of First Gen Group.

b. Management services are rendered by the Parent Company to BPPC under certain terms and conditions of a Management Contract. The consideration for the payment of management fees is fixed at $0.5 million per year effective January 1, 2006. On March 13, 2006, the Parent Company and BPPC renewed the Management Contract effective from January 1, 2006 until the end of the 15-year Cooperation Period of the Project Agreement of BPPC,

which expired in July 2010. Management fees amounting to $0.1 million as of March 31, 2010 is included in "Others" account in the unaudited consolidated statement of income.

c. Lease of premises on which First Gen Group corporate offices are located from First Philippine Realty Corporation (FPRC), a subsidiary of FPHC.

d. 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 is for the 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. Consultancy fees amounted to $1.0 million, $0.9 million and $1.0 million for the three-months period ended March 31, 2012, 2011 and 2010, respectively, are included in the "Others" account in the unaudited consolidated statement of income.

Terms and Conditions of Transactions with Related Parties. Except for certain advances to a non-controlling shareholder, outstanding balances at the end of each period are unsecured and interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

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18. Explanatory comments about the seasonality or cyclicality of interim operations

Seasonality or cyclicality of interim operations is not applicable to First Gen Group's type of business because of the nature of its contracts with Meralco which includes guaranteed volume under the applicable take-or-pay, minimum energy off-take or contracted energy provisions.

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19. The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence

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

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20. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current fiscal year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.

There are no significant changes in estimates of amounts during the current period. However the equity in net earnings of associates for the period ended March 31, 2011 has been adjusted from $9.6 million (as previously reported) to $12.7 million to reflect the additional direct equitized earnings in an associate.

21. The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

There are no changes in the composition of the registrant during the period.

22. Changes in contingent liabilities or contingent assets since the last annual balance sheet date

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

23. Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period

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

24. Financial Risk Management Objectives and Policies

First Gen Group's principal financial liabilities comprise trade payables, bonds payable, and long-term debt, 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, trade receivables, 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 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 unaudited 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, and advances to a non-controlling shareholder 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 May 2002, FGP in particular, entered into an interest rate swap agreement involving half of its borrowings under the ECGD Facility. FGP agreed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to the agreed-upon notional principal amount. Also, in November 2008, FGPC entered into interest rate swap agreements to cover the interest payments for up to 90% of its combined debt under the Covered and Uncovered Facilities. Under the swap agreements, FGPC 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 March 31, 2012 and 2011, approximately 76.46% and 79.17%, respectively, of First Gen Group's borrowings are subject to fixed interest rate after considering the effect of its interest rate swap agreement.

Interest Rate Risk Table

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

	2012					
	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 debt:						
Covered Facility*	**7.65%**	**$12.30**	**$31.14**	**$35.29**	**$204.79**	**$283.52**
Uncovered Facility*	**7.56% – 7.96%**	**8.91**	**30.52**	**37.74**	**42.83**	**120.00**
KfW Facility	**7.20%**	**9.78**	**–**	**–**	**–**	**9.78**
ECGD Facility*	**7.48%**	**4.79**	**9.58**	**–**	**–**	**14.37**
Hermes-Covered Facility	**7.48%**	**11.11**	**22.22**	**–**	**–**	**33.33**
BDO facility – Peso-denominated*	**8.48%**	**0.12**	**1.05**	**10.48**	**–**	**11.65**
BDO Facility – US dollar denominated	**5.15% – 5.73%**	**0.72**	**6.5**	**64.99**	**–**	**72.21**
Notes Facility	**5.58% – 6.81%**	**0.75**	**5.25**	**49.00**	**45.00**	**100.00**
Bonds payable						
Convertible Bonds	**2.50%**	**85.77**	**–**	**–**	**–**	**85.77**
Floating Rate						
Long-term debt:						
Uncovered Facility	**4.17%**	**2.97**	**10.17**	**12.58**	**14.28**	**40.00**
ECGD Facility*	**2.91%**	**4.79**	**9.58**	**–**	**–**	**14.37**
GKA-Covered Facility	**2.16%**	**5.70**	**11.41**	**11.41**	**–**	**28.52**
Term Loan Facility	**4.17%**	**1.06**	**7.46**	**69.58**	**63.90**	**142.00**
Advances to a non-controlling shareholder**	**5.80%**	**4.99**	**14.83**	**17.68**	**54.08**	**91.58**

** Including effect of interest rate and cross currency swap*

*** Excluding accrued interest*

	2011					
	Interest Rates	Within 1 Year	2–3 Years	4–5 Years	More than 5 Years	Total
Fixed Rate						
Covered Facility*	7.65%	$12.30	$28.04	$32.24	$223.24	$295.82
Uncovered Facility*	7.56% – 7.96%	8.83	22.80	34.73	62.47	128.83
KfW Facility	7.20%	9.78	9.78	–	–	19.56
ECGD Facility*	7.48%	4.79	9.58	4.79	–	19.16
Hermes-Covered Facility	7.48%	11.11	22.22	11.11	–	44.44
BDO facility – Peso-denominated	8.48%	–	0.57	10.95	–	11.52
BDO Facility – US dollar denominated	5.15% – 5.73%	–	3.61	68.60	–	72.21
Parent Note Facility	6.50%	–	1.40	3.70	45.9	51.00
Bonds payable						
Convertible Bonds	2.50%	–	145.30	–	–	145.30
Corporate Notes Facility	9.38%	117.96	–	–	–	117.96
Floating Rate						
Long-term debt:						
Uncovered Facility	3.94%	2.94	7.60	11.58	20.82	42.94
ECGD Facility*	2.61%	4.79	9.58	4.79	–	19.16
GKA-Covered Facility	1.70%	5.70	11.41	11.41	5.70	34.22
Term Loan Facility	3.83%	–	3.90	10.30	127.80	142.00
Advances to a non-controlling shareholder**	5.80%	4.97	12.07	16.22	63.30	96.56

** Including effect of interest rate swap*
*** Excluding accrued interest*

Interest on financial instruments classified as floating rate is repriced semi-annually on each interest payment date. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of 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 periods ended March 31, 2012 and 2011, 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
2012			
U.S. Dollar	**+100**	**($1.12 million)**	**$11.15 million**
	-100	**$1.12 million**	**($16.15 million)**
2011			
U.S. Dollar	+100	($0.57 million)	$15.65 million
	-100	0.57 million	($16.65 million)

The effect of changes in interest rates in equity pertains to derivatives accounted for under cash flows hedges and is exclusive of the impact of changes affecting First Gen Group's unaudited consolidated statement 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 Philippine Peso or in European Euro. To manage the foreign currency risk, First Gen Group may consider entering into derivative transactions, as necessary. As of March 31, 2012, the Parent Company entered into a cross currency swap agreement to hedge its foreign exchange exposure from its Philippine peso-denominated BDO facility. FGPC and FGP also entered into several foreign currency contracts to hedge their foreign exchange exposure from their Euro-denominated payables.

The following table sets out the Philippine peso-denominated and Euro-denominated financial assets and liabilities as of March 31, 2012 and 2011 that may affect the unaudited consolidated financial statements of First Gen Group (amounts in millions):

	2012			2011		
	Original Currency			Original Currency		
	Philippine Peso-denominated Balances	**Euro-denominated Balance**	**Equivalent U.S. Dollar Balances**	Philippine Peso-denominated Balances	Euro-denominated Balance	Equivalent U.S. Dollar Balances
Financial Assets						
Loans and receivable:						
Cash and cash equivalents	**₱1,463.8**	**€–**	**$34.1**	₱3,025.1	€–	$69.7
Receivables	**785.3**	**–**	**18.3**	618.7	–	14.3
	2,249.1	**–**	**52.4**	3,643.8	–	84.0
AFS financial assets	**31.8**	**–**	**0.7**	32.7	–	0.8
Total financial assets	**2,280.9**	**–**	**53.1**	3,676.5	–	84.8
Financial Liabilities						
Liabilities at amortized cost:						
Accounts payable and accrued expenses	**871.1**	**1.6**	**22.4**	1,133.1	9.3	39.2
Due to related parties	**6.7**	**–**	**0.2**	15.3	–	0.3
Long-term debt including current portion	**–**	**–**	**–**	5,618.2	–	129.5
Total financial liabilities	**877.8**	**1.6**	**22.6**	6,766.6	9.3	169.0
Net financial liabilities (assets)	**(₱1,403.1)**	**€1.6**	**($30.5)**	₱3,090.1	€9.3	$84.2

In translating these foreign currency-denominated monetary assets and liabilities into U.S. dollar, the exchange rates used were ₱42.92 to $1.00 and ₱43.39 to $1.00 were the Philippine Peso-U.S. Dollar exchange rates as of March 31, 2012 and 2011, respectively. Meanwhile, in translating the Euro-denominated monetary liabilities to U.S. dollar, the exchanged rate used was €1.36 to $1.00 and €1.41 to $1.00, which represents the Euro-U.S. dollar average closing exchange rate as of March 31, 2012 and 2011, respectively.

The following table sets out, for the periods ended March 31, 2012 and 2011, the impact of the range of reasonably possible movement in the U.S. dollar, European euro and Philippine peso exchange rates with all other variables held constant, First Gen Group's income before income tax and equity (due to changes in the fair value of monetary assets and liabilities):

	2012				2011			
	Change in Exchange Rate (in Philippine Peso against U.S. Dollar)		**Change in Exchange Rate (in European Euro against U.S. Dollar)**		Change in Exchange Rate (in Philippine Peso against U.S. Dollar)		Change in Exchange Rate (in European Euro against U.S. Dollar)	
	4%	**(4%)**	**6%**	**(6%)**	6%	(6%)	5%)	(5%)
	(Amounts in Millions)							
Increase (decrease) on income before income tax	**$1.6**	**($1.7)**	**($0.1)**	**$0.1**	$4.7	($4.2)	($0.7)	$0.7
Increase (decrease) on equity	**(0.3)**	**0.3**	**0.1**	**(0.1)**	(0.1)	0.2	–	–

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

With respect to credit risk arising from the other financial assets of First Gen Group, which comprise of cash and cash equivalents, 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.

As of March 31, 2012 and 2011, First Gen Group's financial assets amounted to $595.7 million and $562.7 million, respectively. These financial assets are neither past due nor impaired.

Credit Risk Exposure. The table below shows the gross maximum exposure to credit risk of First Gen Group as of March 31, 2012 and 2011, without considering the effects of collaterals and other credit risk mitigation techniques:

	2012	2011
Financial Assets accounted for as cash flow hedge		
Derivative assets	**$142**	$–
Financial assets at FVPL		
Option assets	–	4,494
Loans and Receivables		
Cash and cash equivalents	**295,993**	311,289
Receivables:		
Trade	**192,138**	130,763
Due from related parties	**9,645**	8,400
Others	**3,250**	8,158
Advances to non-controlling shareholder	**93,578**	98,642
Other current assets	**170**	163
Total loans and receivables	**594,774**	557,415
AFS Financial Assets		
Investments in proprietary membership shares	**763**	754
	$595,679	$562,663

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 March 31, 2012 and 2011, all financial assets are viewed by management as 'high grade' considering the collectability of the receivables and the credit history of the counterparties.

Credit Concentration 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.

Under the current regulatory regime, the generation rates charged by FGP and FGPC to Meralco are not subject to regulations and are complete pass-through charges to Meralco's customers.

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.

The table below shows the risk exposure in respect to credit concentration of First Gen Group as of March 31, 2012 and 2011:

	2012	2011
Trade receivables from Meralco	**$191,784**	$130,665
Total credit concentration risk	**$191,784**	$130,665
Total receivables	**$205,033**	$147,321
Credit concentration percentage	**93.5%**	88.7%

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 has available credit lines with certain banking institutions. FGP and FGPC, in particular, 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 March 31 2012 and 2011, 15.6% of First Gen Group's debt will mature in less than a year based on the carrying value of borrowings reflected in the unaudited 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 March 31, 2012 and 2011 based on the contractual undiscounted payments:

	2012					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 1Year up to 5 Years**	**Over 5 Years**	**Total**
Financial Assets:						
Cash and cash equivalents	**$295,993**	**$–**	**$–**	**$–**	**$–**	**$295,993**
Trade receivables	**–**	**205,033**	**–**	**–**	**–**	**205,033**
Total loans and receivables	**295,993**	**205,033**	**–**	**–**	**–**	**501,026**
Derivative contract receipts	**–**	**526**	**648**	**14,025**	**–**	**15,199**
Derivative contract payments	**–**	**(383)**	**(496)**	**(13,270)**	**–**	**(14,149)**
Total financial assets accounted for as cash flow hedge	**–**	**143**	**152**	**755**	**–**	**1,050**
	$295,993	**$205,176**	**$152**	**$755**	**$–**	**$502,076**
Financial liabilities:						
Accounts payable and accrued expenses*	**$15,019**	**$115,972**	**$–**	**$–**	**$–**	**$130,991**
Due to related parties	**6,725**	**–**	**–**	**–**	**–**	**6,725**
Bonds payable	**–**	**–**	**837**	**86,611**	**–**	**87,448**
Long-term debt	**–**	**45,767**	**55,820**	**558,720**	**410,059**	**1,070,366**
Total liabilities carried at amortized cost	**21,744**	**161,739**	**56,657**	**645,331**	**410,059**	**1,295,530**
Derivative contract receipts	**–**	**(6,367)**	**(1,801)**	**(11,500)**	**(10,877)**	**(30,545)**
Derivative contract payments	**–**	**10,689**	**10,294**	**63,541**	**29,608**	**114,132**
Total financial liability accounted for as cash flow hedges	**–**	**4,322**	**8,493**	**52,041**	**18,731**	**83,587**
	$21,744	**$166,061**	**$65,150**	**$697,372**	**$428,790**	**$1,379,117**

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

	2011					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	5 Years	Total
Financial Assets:						
Cash and cash equivalents	$311,289	$–	$–	$–	$–	$311,289
Trade receivables	–	147,321	–	–	–	147,321
	$311,289	$147,321	$–	$–	$–	$458,610
Financial liabilities:						
Accounts payable and accrued expenses*	$14,825	$100,438	$–	$–	$–	$115,263
Due to stockholders and affiliates	6,700	–	–	–	–	6,700
Bonds payable	–	–	2,838	148,140	–	150,978
Long-term debt	–	34,085	183,890	481,748	632,211	1,331,934
Total liabilities carried at amortized cost	21,525	134,523	186,728	629,888	632,211	1,604,875
Derivative contract receipts	–	(6,873)	(1,748)	(24,507)	(28,792)	(61,920)
Derivative contract payments	–	11,505	11,207	71,635	42,497	136,844
Total financial liabilities accounted for as cash flow hedges	–	4,632	9,459	47,128	13,705	74,924
	$21,525	$139,155	$196,187	$677,016	$645,916	$1,679,799

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

<u>Fair value hierarchy of financial assets and liabilities</u>

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

a) Level 1 category includes financial assets and liabilities whose fair value is based on quoted market price in active markets for identical assets and liabilities;

b) Level 2 category includes financial assets and liabilities whose fair value uses inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

c) Level 3 category includes those financial assets and liabilities whose fair value is derived using inputs that are not based on observable market data.

	March 31, 2012			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Financial assets accounted for as cash flow hedges - Derivative assets	**$142**	**$–**	**$142**	**$–**
Financial liabilities accounted for as at FVPL - Derivative liabilities	**31**	**–**	**31**	**–**
Financial liabilities accounted for as cash flow hedges - Derivative liabilities	**56,243**	**–**	**56,243**	**–**

	March 31, 2011			
	Fair value	Level 1	Level 2	Level 3
Financial assets at FVPL Option assets	$4,494	$–	$4,494	$–
Financial liabilities accounted for as cash flow hedges - Derivative liabilities	35,752	–	35,752	–

As of March 31, 2012 and 2011, there were no transfers between level 1 and 2 and there were no transfers into and out of level 3 fair value measurements.

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 periods ended March 31, 2012 and 2011.

First Gen Group monitors capital using a debt-to-equity ratio, which is total long-term debt (net of debt issue costs) divided by total long-term debt plus total equity. First Gen Group's practice is to keep the debt-to-equity ratio lower than 75:25.

	2012	2011
Bonds payable	**$82,005**	$132,096
Long-term debt	**854,138**	980,813
Total debt	**$936,143**	$1,112,909
Equity attributable to the equity holders of the Parent Company	**$1,262,354**	$1,018,262
Non-controlling interests	**196,288**	172,886
Total equity	**$1,458,642**	$1,191,148
Total debt and equity	**$2,394,785**	$2,304,057
Debt-to-equity ratio	**39:61**	48:52

**Excluding deferred income tax liabilities and derivative liabilities.*

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 March 31, 2012 and 2011, First Gen Group is in compliance with those covenants.

25. Financial Instruments

Set out below is a comparison by category of the carrying values and fair values of First Gen Group's financial instruments as at March 31, 2012 and 2011 that are carried in the unaudited consolidated financial statements:

	2012		2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Financial assets accounted for as cash flow hedges -				
Derivative assets	**$142**	**$142**	$–	$–
Financial assets at FVPL				
Option assets	–	–	4,494	4,494
Loans and receivables:				
Cash and cash equivalents	**295,993**	**295,993**	311,289	311,289
Receivables:				
Trade	**192,138**	**192,138**	130,763	130,763
Due from related parties	**9,645**	**9,645**	8,400	8,400
Others	**3,250**	**3,250**	8,158	8,158
Advances to a non-controlling shareholder	**93,578**	**91,759**	98,642	96,557
Other current assets	**170**	**170**	163	163
Total loans and receivables	**594,774**	**592,955**	557,415	555,330
AFS financial assets -				
Investments in proprietary membership shares	**763**	**763**	754	754
	$595,679	**$593,860**	$562,663	$560,578
Financial Liabilities				
Financial liabilities at FVPL -				
Derivative liabilities	**$31**	**$31**	$–	$–
Financial liabilities carried at amortized cost:				
Accounts payable and accrued expenses*	**142,349**	**142,349**	129,891	129,891
Due to related parties	**6,725**	**6,725**	6,700	6,700
Bonds payable	**82,005**	**82,005**	132,096	148,822
Long-term debt	**854,138**	**890,102**	980,813	996,146
Total financial liabilities at amortized cost	**1,085,217**	**1,121,181**	1,249,500	1,281,559
Financial liability accounted for as cash flow hedges -				
Derivative liabilities	**56,243**	**56,243**	35,752	35,752
	$1,141,491	**$1,177,455**	$1,285,252	$1,317,311

* *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 and due to related parties approximate the carrying values at financial reporting date, due to the short-term maturities of the transactions.

AFS financial assets
For equity instruments that are not quoted, the investments are carried at cost less allowance for impairment losses due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

FGP and FGPC long-term debt, Parent Company Term Loan facility, and advances to non-controlling shareholder
The fair values of long-term debt and advances to non-controlling shareholder were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted USD interest rates ranging from 0.2410% to 2.2300% and 0.2638% to 4.3200% as of March 31, 2012 and 2011, respectively.

Unified and Parent Company long-term debts
The fair values of the Parent Company U.S. dollar-denominated long-term debts, except for the Term loan facility, were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted U.S. Dollar interest rates on March 30, 2012 and 2011 ranging from 0.096% to 1.634% and 0.004% to 3.298%, respectively. The fair values of Parent Company Philippine peso-denominated long-term debts were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted Philippine peso interest rates on March 31, 2012 ranging from 2.291% to 4.307%. The fair values of Unified and Parent Company Philippine peso-denominated long-term debts were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted Philippine peso interest rates on March 31, 2011 ranging from 0.927% to 5.887%.

As of March 31, 2012, fair value of CBs approximate the carrying value amounting to $82.0 million. The fair value of the CBs are computed using the U.S. Zero-rate government bond for the Convertible Bond ranging from 0.075% to 0.831% on March 31, 2011.

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 fluctuations in foreign exchange rates of its Peso-denominated loans and Euro currency payables, and equity call options to avail investments at a fixed price for a three year period. 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 March 31, 2012 and 2011 (amounts in millions). The notional amount is the basis upon which changes in the value of derivatives are measured.

	2012			2011		
	Derivative Assets	**Derivative Liabilities**	**Notional Amount**	Derivative Assets	Derivative Liabilities	Notional Amount
Derivatives Designated as Accounting Hedges						
Freestanding derivatives -						
Interest rate swaps	**$–**	**$55.7**	**$417.9**	$–	$35.8	$443.8
Forward contracts	**–**	**0.5**	**€7.4**	–	–	
Cross currency swaps	**0.1**	**–**	**₱500.0**	–	–	
	$0.1	**$56.2**		$–	$64.9	
Derivatives not Designated as Accounting Hedges						
Freestanding derivatives -						
Option assets	**–**	**–**	**–**	4.5	–	390 shares
Forward contracts	**–**	**0.1**	**₱400.00**	–	–	–
	$–	**$0.1**		$4.5	$–	
Total derivatives	**$0.1**	**$56.3**		$4.5	$64.9	
Presented as:						
Current	**$0.1**	**$0.6**		$4.5	$–	
Noncurrent	**–**	**55.7**		–	64.9	
Total derivatives	**$0.1**	**$56.3**		$4.5	$64.9	

Derivatives not Designated as Accounting Hedges
First Gen Group's derivatives not designated as accounting hedges include embedded derivatives in host financial and non-financial contracts 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 unaudited consolidated statements of income.

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 Australia and New Zealand Banking Group Limited-Manila Branch (ANZ) at ₱42.585/US$ on January 24, 2012 and at ₱42.706/US$ on July 24, 2012, respectively. As of March 31, 2012, the negative fair value of the foreign currency forwards included as part of "Derivative liabilities" in the current portion of the consolidated statement of financial position amounts to $0.03 million.

Option assets
On April 19, 2010, the Parent Company entered into Call Option Agreements to purchase EDC shares totaling to 585.0 million for a total consideration of ₱1.3 million ($0.03 million). These call options may be exercised at the applicable exercise prices as follows:

Exercise dates	Exercise price	Exercise Price, as adjusted*
From April 20, 2010 to April 19, 2011	₱5.67 per share	₱5.51 per share
From April 20, 2011 to April 19, 2012	₱6.19 per share	₱6.03 per share
From April 20, 2012 to April 19, 2013	₱6.76 per share	₱6.60 per share

**The exercise price was adjusted after the EDC's declaration of cash dividends on March 15, 2011.*

The exercise price shall be subject to cash and stock dividend adjustments. The call options are exercisable within three years as follows: (a) all the subject shares during the first exercise year; (b) remaining two-thirds of the subject shares during the second exercise year; and (c) last 1/3 of the subject shares during the third year. On March 2, 2011, the Parent Company and Northern Terracotta executed a Deed of Assignment to assign and sell the Parent Company's full rights and obligations over the first tranche of an aggregate 585.0 million EDC common shares covered by the Call Option Agreements executed by the Parent Company. The assignment gives Northern Terracotta the right to exercise the call option over 195.0 million EDC shares on or before April 19, 2011, which is the expiration of the first exercise period, at an exercise price of ₱5.67 per share. The option was exercised by Northern Terracota on March 8, 2011.

The call options were valued using the binomial model. This valuation technique considers the probability of EDC's share price up or down depending on the volatility, the risk free rates, expected dividend yield and the share price as of the valuation date.

The remaining 390.0 million shares of the option asset were exercised by the Parent Company on April 5, 2011 at an exercise price of ₱5.51 per share for a total cost of $49.4 million (₱2,148.9 million).

The movements in the option assets account as of March 31, 2011 are as follows:

	Amount in Philippine Peso	Equivalent Amount in U.S. Dollar
Fair value at the beginning of the period	₱183,662	$4,189
Fair value changes during the period	38,638	905
Fair value of call option assigned to Northern Terracotta (Note 9)	(27,300)	(621)
Foreign exchange differences	–	21
	₱195,000	$4,494

The net changes in fair value and net foreign exchange movement during the period were taken to the "Mark-to-market gain (loss) on derivatives" and "Foreign exchange gain (loss)" accounts, respectively, in the 2011 unaudited consolidated statement of income.

Derivatives Designated as Accounting Hedges

First Gen Group has interest rate swaps accounted for as cash flow hedges for its floating rate loans and a cross-currency swaps and foreign currency forwards accounted for as cash flow hedges of its Philippine peso denominated borrowing 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 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 effective hedging instruments to hedge the interest cashflow variability in the Covered and Uncovered Facilities, attributable to the movements in the six-month LIBOR interest rates (see Note 13).

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 floating rate based on 6-month U.S. LIBOR flat 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 floating rate of based on 6-month U.S. LIBOR flat on the aggregate amortizing notional amount of US$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 March 31, 2012 and 2011, the aggregate fair value of the interest rate swaps that was deferred to cumulative translation adjustments amounted to $38.2 million (net of related deferred tax effect of $16.4 million) and $23.8 million (net of related deferred tax effect of $10.2 million), respectively. For the periods ended March 31, 2012 and 2011, the net losses and net gains from the changes in the fair value of the interest rate swaps recognized in the unaudited statements of comprehensive income amounted to $1.9 million and $2.9 million, respectively.

Cash Flow Hedge - FGP
In 2002, FGP entered into an interest rate swap agreement with ABN AMRO Bank NV to hedge half of its floating rate exposure on its ECGD Facility Agreement (see Note 14). 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 hedged loan. The interest rate swap agreement will mature in December 2014 (coinciding with the maturity of the hedged loan).

As of March 31, 2012 and 2011, the fair value of the interest rate swap that was deferred to cumulative translation adjustments amounted to $0.8 million (net of related deferred income tax effect of $0.3 million) and $1.2 million (net of related deferred income tax effect of $0.5 million), respectively. For the periods ended March 31, 2012 and 2011, the net gains and net losses from the change in the fair value of the interest rate swap recognized in the unaudited statements of comprehensive income amounted to $0.02 million and $0.001 million, respectively.

There was no ineffective portion recognized in the unaudited consolidated statements of income for the periods ended March 31, 2012 and 2011.

The outstanding aggregate notional amount and the related mark-to-market losses of the interest rate swaps designated as cash flow hedges as of March 31, 2012 and 2011 are as follows:

	2012	2011
Notional amount	**$417,894**	$443,818
Mark-to-market losses	**55,726**	35,752

The net movements in the fair value of derivative transactions are as follows:

	2012	2011
Fair value at beginning of period	**($58,352)**	($39,911)
Fair value change taken into equity during the period	**(1,079)**	64
Fair value changes realized during the period	**3,705**	4,095
Fair value at end of period	**(55,726)**	(35,752)
Deferred tax effect on cash flow hedges	**16,718**	10,726
Fair value deferred into equity	**($39,008)**	($25,026)

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

Cross Currency Swap – Parent Company
On May 18, 2011, the Parent Company entered into a cross currency swap agreement 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 US$ interest of 6.5% per

annum (based on the outstanding US$ 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 cross currency swap is amortizing based on the repayment schedule of the hedged loan. The cross currency swap has a term of 4 years and will mature on April 20, 2015.

As of March 31, 2012, the positive fair value of the cross currency swap that was deferred to "Cumulative translation adjustments" account in the unaudited consolidated statements of financial position amounted to $0.1 million.

The net movements in the fair value of cross currency swap for the three months period ended March 31, 2012 are as follows:

Fair value at beginning of period	$355
Fair value change taken into other comprehensive income (loss) during the period	(40)
Amount of gain (loss) taken to statement of comprehensive income	(170)
Fair value at end of period deferred into equity	$145

Currency Forward – FGPC and FGP

On September 7, 2011, FGPC and FGP entered into a several currency forward contracts with ING Bank N.V. Manila Branch (ING) to purchase European Euro at a fixed Euro to U.S. dollar exchange rates. FGPC and FPG designated this derivative as the effective hedging instrument 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 Siemens Power Operations, Inc. (SPOI).

Under the agreement, FGPC and FGP is obligated to buy Euro from ING amounting to €2.5 million and €1.2 million, respectively, based on the agreed strike exchange rates. The settlement of each of the forward contracts is from December 2011 up to May 2012 which coincides with the settlement of the outstanding payables to SPOI.

As of March 31, 2012, the fair value of the forward contracts that was deferred to cumulative translation adjustments amounts to $0.4 million (net of related deferred income tax effect of $0.2 million).

The outstanding aggregate notional amount and the related mark-to-market losses of the currency forward contracts are designated as cash flow hedges as of March 31, 2012 are as follows:

Notional amount	**€7,400**
Mark-to-market losses	**$517**

The net movements in the fair values of foreign currency forwards as of March 31, 2012 are as follows:

Fair value at beginning of year	($2,055)
Fair value change taken into other comprehensive income (loss) during the year	516
Fair value change realized during the year	1,022
Fair value at end of year	(517)
Deferred income tax effect on cash flow hedges (see Note 25)	155
Fair value deferred into equity	($362)

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" account in the unaudited consolidated statements of income:

	2012	2011
Freestanding derivatives		
Forward contracts	**$227**	**($491)**
Option assets	–	**4,225**
Total	**$227**	**$3,734**

26. Significant Contracts, Franchise, Commitments and Contingencies

a. Power Purchase Agreements

FGP and FGPC

FGP and FGPC each have 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 Energy Regulatory Commission (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.

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 is 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. Pursuant to the ERC order dated April 4, 2011, FG Bukidnon was able to recover from CEPALCO ₱1.76 million of under-recoveries from March 2010 to August 2010.

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 of these contracts had expired as of December 31, 2011. Upon renegotiation with the customers and due process 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 2007 and December 2020.

Upon expiration, these contracts may be renewed upon renegotiation with the customers and with due process as stipulated by the ERC. As of March 31, 2012, there are five remaining long-term power supply contracts 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 2 (NEECO II –Area 2)	December 25, 2016	The ERC granted a provisional approval on the Power Supply Agreement 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 is no new agreement between FG Hydro and PAMES yet. In the meantime, FG Hydro has continued to supply electricity to PAMES on a month-to-month basis.
Nueva Ecija I electric Cooperative, Inc. (NEECO I)	December. 25, 2012	FG Hydro and NEECO I signed a new agreement in December 2007 for the supply of electricity for the next five years. The ERC has provisionally approved this agreement pending final resolution of the application for the approval thereof.

Related Contract	Expiry Date	Other Development
Edong Cold Storage and Ice Plant	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 BGI. The contract is effective for a period of three months, commencing on December 26, 2011, unless it is sooner terminated or thereafter renewed or extended under such terms as maybe agreed by both parties.

EDC

EDC has existing PPAs with NPC for the development, construction and operation of a geothermal power plant by EDC in the service contract areas and the sale to NPC of the electrical energy generated from such geothermal power plants. The PPA provides, among others, that NPC pays EDC a base price per kWh of electricity delivered subject to inflation adjustments. The PPAs are for a period of 25 years of commercial operations and may be extended upon the request of EDC by notice of not less than 12 months prior to the end of contract period, the terms and conditions of any such extension to be agreed upon 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
47 MW Mindanao I	330 GWh for the first year and 390 GWh for the succeeding years	March 2022
48.25 MW Mindanao II	398 GWh	June 2024

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

On November 12, 1999, NPC agreed to accept from EDC a combined average annual nominated energy of 4,455 GWh for the period July 25, 1999 to July 25, 2000 for Leyte-Cebu and Leyte-Luzon PPAs. However, the combined annual nominated energy starting July 25, 2000 is currently under negotiation with NPC. The contracts are for a period of 25 years commencing in July 1996 for Leyte-Cebu and July 1997 for Leyte-Luzon.

Green Core Geothermal Inc. (GCGI)

With GCGI's takeover of Palinpinon and Tongonan power plants effective October 23, 2009, following is the table that summarizes the terms of GCGI's existing PSAs and Transition Supply Contracts (TSCs):

Customers	Contract Expiration
Palinpinon	
V.M.C. Rural Electric Service Cooperative, Inc. (VRESCO)	December 25, 2010
Central Negros Electric Cooperative, Inc. (CENECO)	December 25, 2010
Dynasty Management Development Corp. (DMDC)	March 15, 2016
Aklan Electric Cooperative, Inc. (AKELCO)	December 25, 2009
Guimaras Electric Cooperative, Inc. (GUIMELCO)	December 25, 2012
Iloilo I Electric Cooperative, Inc. (ILECO I)	December 25, 2009
Philippine Foremost Milling Corp. (PFMC)	March 25, 2016
Iloilo Provincial Government (IPG)	December 25, 2011

Tongonan	
Don Orestes Romualdez Electric Cooperative, Inc. (DORELCO)	September 25, 2010
Leyte II Electric Cooperative, Inc. (LEYECO II)	December 25, 2009
Philippine Phosphate Fertilizer Corp. (PHILPHOS)	December 25, 2011
Philippine Associated Smelting and Refining Corp. (PASAR)	September 25, 2009

At the end of 2010, five of the 12 NPC TSC assigned to GCGI remain effective, namely DMDC, GUIMELCO, PFMC, IPG and PHILPHOS. Since GCGI's takeover of the power plants, 20 new PSAs have been signed as follows:

Customers	Contract Start	Contract Expiration
Leyte		
DORELCO	Dec. 26, 2010	Dec. 25, 2020
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 V Electric Cooperative, Inc. (LEYECO 5)*	Dec. 26, 2010	Dec. 25, 2020
PASAR	Oct. 24, 2009	Dec. 25, 2015
PHILPHOS	Dec. 26, 2011	Dec. 25, 2016
Cebu		
Visayan Electric Company, Inc. (VECO)*	Dec. 26, 2010	Dec. 25, 2015
VECO	Dec. 26, 2011	Dec. 25, 2016
Balamban Enerzone Corporation	Dec. 26, 2010	Dec. 25, 2015
Negros		
CENECO	Dec. 26, 2011	Dec. 25, 2021
Negros Occidental Electric Cooperative, Inc.*	Dec. 26, 2010	Dec. 25, 2020
Negros Oriental I Electric Cooperative, Inc.*	Dec. 26, 2010	Dec. 25, 2020
Negros Oriental II Electric Cooperative, Inc.*	Dec. 26, 2010	Dec. 25, 2020
VRESCO*	Dec. 26, 2010	Dec. 25, 2020
Dumaguete Coconut Mills, Inc.	Oct. 26, 2010	Oct. 25, 2020
Panay		
AKELCO*	March 26, 2010	Dec. 25, 2020
Capiz Electric Cooperative, Inc.*	Jan. 27, 2010	Dec. 25, 2020
ILECO I*	March 26, 2010	Dec. 25, 2022
Iloilo II Electric Cooperative, Inc.*	Dec. 26, 2010	Dec. 25, 2020

**with Provisional Authority from the ERC as of March 31, 2012*

For the other distribution utility customers, preparations for the filing of the applications for the approval of the PSAs with the ERC are on-going.

b. Stored Energy Commitment of EDC

On various dates, EDC entered into Addendum Agreement 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.

c. Geothermal Service Contracts/Renewable Energy Service Contracts 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 for the following geothermal production fields:

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

The DOE approved the application of EDC for the 20-year extension of the Tongonan, Palinpinon and Bacon-Manito GSCs. The extension is embodied in the 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 and Geothermal Resource Sales Contracts (GRSCs) of EDC

EDC has existing SSAs for the supply of the geothermal energy currently produced by its geothermal projects to the power plants owned and operated by NPC and GCGI. Under the SSA, NPC agrees to pay EDC a base price per kWh of gross generation for all the service contract areas, except for Tongonan I Project, subject to inflation adjustments, and based on a guaranteed take-or-pay (TOP) rate at certain percentage plant factor. NPC pays EDC a base price per kWh of net generation for Tongonan I Project. 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
Tongonan I	75% plant factor	June 2009
Palinpinon I	75% plant factor	June 2009
Palinpinon II (covers four modular plants)	50% for the 1st year, 65% for the 2nd year, 75% for the 3rd and subsequent years	December 2018 - March 2020
BacMan I	75% plant factor	November 2013
BacMan II (covers two 20 MW modular plants)	50% for the 1st year, 65% for the 2nd year, 75% for the 3rd and subsequent years	March 2019 and December 2022

SSAs of Tongonan I, Palinpinon I and Palinpinon II remained effective until the turnover of the power plants to GCGI on October 23, 2009 [see Note 30(a)], at which time their respective GRSC became effective. 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.

e. Build-Operate-Transfer (BOT) Agreements of BPPC

BPPC has an existing Project Agreement with NPC. Under the Project Agreement, NPC supplies all the fuel required to generate electricity, with all electricity generated purchased by NPC. BPPC is entitled to payment of fixed capacity and operations and maintenance fees based on the nominated capacity as well as energy fees from the delivery of electric power to NPC. The Cooperation Period, which is the period within which BPPC shall operate and maintain the power plant, is 15 years which expired on July 25, 2010. Upon expiration of the 15-year period, BPPC shall transfer to NPC all of its rights, titles and interests in the power plant complex, free from liens created by BPPC and without any compensation.

Following the expiration of the Cooperation Period, BPPC turned-over the Bauang Plant to NPC on July 26, 2010 to mark the end of the Project Agreement. Through a Deed of Transfer executed between BPPC and NPC, BPPC transferred to NPC all its rights, titles and interests in the Bauang Plant, free of liens created by BPPC, without any compensation. On the same date, all rights, title and interests of BPPC in and to the fixtures, fittings, plant and equipment (including test equipment and special tools) and all improvements comprising the power plant were transferred to NPC on an "as is" basis. As part of the agreement, BPPC also transferred spare parts and lubricating oil inventory. Consequently, BPPC declared all organizational positions redundant and separated all employees, except for key officers.

f. Gas Sale and Purchase Agreements (GSPA)

FGP and FGPC each has an existing GSPA with the consortium of Shell Philippines Exploration B.V., Shell Philippines LLC, 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 eleventh Contract Year, are for a total period of approximately 22 years.

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 Year after the Contract Year for which the Annual Deficiency was incurred, in the order that it arose.

For Contract Year 2006, the Gas Sellers issued the Annual Reconciliation Statements (ARS) of FGP and FGPC on December 29, 2006. The Gas Sellers are claiming Annual Deficiency payments for Contract Year 2006 amounting to $3.9 million for FGP and $5.4 million for

FGPC. Both FGP and FGPC disagree that such Annual Deficiency payments are due and each claimed for among others, relief due to events of force majeure (EFM) that affected the San Lorenzo and Santa Rita power plants, respectively. FGP's and FGPC's position is that the power plants actually consumed more than their respective TOPQs and are entitled to make-up its Outstanding Balance of Annual Deficiency.

Pursuant to the terms of the GSPA, the dispute on the above matter was subjected to arbitration in Hong Kong, SAR under the International Chamber of Commerce (ICC) Rules of Arbitration. The arbitral tribunal ("Tribunal") rendered a Partial Final Award on August 11, 2009 which was received by FGP and FGPC on August 18, 2009. The Tribunal determined that the transmission related events claimed by FGP and FGPC constitute EFM under the GSPAs, and that, therefore, the companies can claim relief for those events that have actually occurred subject to adjustments stipulated in the GSPAs. The Tribunal was not persuaded, however, that the government related events claimed by FGP and FGPC for Contract Year 2006 constitute EFM under the GSPAs based on the evidence presented.

On June 9, 2010, FGP, FGPC, and the Gas Sellers executed a Settlement Agreement (SA) to settle the GSPA dispute for Contract Year 2006. Under the terms of the SA, the Gas Sellers' claims have been reduced to \$1.3 million with interest amounting to \$0.1 million (in the case of FGP) and \$0.5 million with interest amounting to \$0.1 million (in the case of FGPC) covering the original payment due date up to February 27, 2010. The payment of these amounts is by way of full, complete, absolute, and final settlement of the dispute and any and all Contract Year 2006 claims the Gas Sellers may have against FGP and FGPC. The total amount of \$2.0 million was paid on July 29, 2010.

Also included in the June 9, 2010 SA is the GSPA amendment in which FGP, FGPC and the Gas Sellers agreed that where the Gas Sellers reschedule, reduce or cancel Scheduled Maintenance and fail to provide a rescheduling notice within the period required under clause 17.1.2 of the respective GSPAs of FGP and FGPC, 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 September 15, 2010, FGP and FGPC received the Final Award by Consent rendered by the Tribunal on September 13, 2010, incorporating by reference the June 9, 2010 SA, including all exhibits thereto, and forming an inseparable part of the Final Award by Consent, as per FGP, FGPC, and the Gas Sellers, written request dated June 16, 2010 to the Tribunal and ICC

g. Wind Energy Service Contract of EDC

On September 14, 2009, EDC has entered into a WESC 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 has not been in default in its exploration or work commitments and has provided 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.

In 2010, EDC has 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)

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. As of December 31, 2011, the filing for the declaration of commerciality of the Burgos Wind Power Project is still under review by the DOE.

On December 19, 2011, EDC has submitted a letter of surrender covering the Taytay, Dinagat and Siargao contract areas and thus, will not 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.

h. 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. SPO 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 new full scope O&M agreement with SPO. The new 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.

i. Substation Interconnection Agreement

FGPC has an agreement with Meralco and NPC for: (a) the construction of substation upgrades at the NPC substation in Calaca and the donation of such substation upgrades to NPC; (b) the construction of a 35-kilometer transmission line from the power plant to the NPC substation in Calaca and subsequent donation of such transmission line to NPC; (c) the interconnection of the power plant to the NPC Grid System; and (d) the receipt and delivery of energy and capacity from the power plant to Meralco's point of receipt.

As of March 31, 2012, 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 (₱0.9 million) as retainer fee and $0.1 million (₱3.7 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.

j. Interim Interconnection Agreement

FGP has an agreement with NPC and Meralco whereby NPC will be responsible for the delivery and transmission of all energy and capacity from FGP's power plant to Meralco's point of receipt.

k. Franchise

The Parent Company, through FGHC, has a franchise granted by the 11th Congress of the Philippines through R.A. No. 8997 to construct, install, own, operate and maintain a natural gas pipeline system for the transportation and distribution of the natural gas throughout the island of Luzon (the "Franchise"). The Franchise is for a term of 25 years until February 25, 2026. As of March 31, 2012, 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.