

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended **December 31, 2005**
2. SEC Identification Number **A1998-182603** BIR Tax Identification No. **202-464-633**
4. Exact name of issuer as specified in its charter **FIRST GEN CORPORATION**
5. Philippines
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **3rd Floor, Benpres Building, Exchange Road cor. Meralco Avenue, Pasig City 1600**
Address of principal office Postal Code
8. **(632) 449-6400**
Issuer's telephone number, including area code
9. Former name, former address, and former fiscal year, if changed since last report. **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	799,706,000 shares ¹
Bonds	Php 5,000,000,000

11. Are any or all of these securities listed on a Stock Exchange.
Yes No
If yes, state the name of such stock exchange and the classes of securities listed therein:
The common shares of First Gen Corporation are listed with the Philippine Stock Exchange, Inc.
12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes No

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes No
13. Aggregate Market Value of Voting Stock held by Non-Affiliates: **Php11.8 billion**

¹ As of March 16, 2006.

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Business Development

First Gen Corporation (First Gen) is the largest Filipino majority-owned and controlled Independent Power Producer (IPP) in the Philippines, with installed capacity of 1726.6 MW as of December 31, 2005. All of the company's power generation plants are operational, and, except for the Bauang plant, are majority-owned and -controlled by the company through its subsidiaries. For 2005, First Gen's consolidated financial statements are now presented in U.S. Dollars, being the company's functional and presentation currency under Philippine Financial Reporting Standards. First Gen's consolidated net income and revenues for the year ended December 31, 2005 amounted to \$144.4 million and \$827.7 million, respectively, of which \$87.1 million is attributable to the equity holders of First Gen.

On February 10, 2006, First Gen successfully completed the initial public offering (IPO) of its 180,910,900 common shares. The proceeds from the IPO amounted to Php8,502.8 million. An additional 12,501,700 shares were reissued representing the exercise of the over-allotment option (valued at Php587.6 million). The common shares of First Gen are now listed and traded on the First Board of the Philippine Stock Exchange, Inc.

First Gen has ownership stakes in the following companies:

1. FIRST GAS HOLDINGS CORPORATION

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. FGHC is 60% owned by First Gen and 40% owned by BG Consolidated Holdings (Philippines), Inc. FGHC wholly owns First Gas Power Corporation (FGPC), the project company of the 1000 MW Santa Rita Power Plant.

2. FIRST GAS POWER CORPORATION

First Gas Power Corporation (FGPC) is the project company of the Santa Rita Power Plant. The company was incorporated on November 24, 1994 to develop the 1000 MW gas-fired cycle power plant located in Santa Rita, Batangas City. FGPC commenced full commercial operations on August 17, 2000. It generates electricity for the Manila Electric Company (Meralco) under a 25-year Power Purchase Agreement (PPA). In order to fulfill its responsibility to operate and maintain the power plant, FGPC has an existing agreement with Siemens Power Operations, Inc., a 100% subsidiary of Siemens AG, to act as the operator under an Operations & Maintenance Agreement. Net income and revenues for the year ended December 31, 2005 amounted to \$98.9 million and \$548.2 million, respectively.

3. UNIFIED HOLDINGS CORPORATION

Unified Holdings Corporation (UHC) was incorporated on March 30, 1999 as the holding company of First Gen's 60% equity share in FGP Corp., the project company of the 500 MW San Lorenzo Power Plant. First Gen owns 100% of UHC.

4. FGP CORP.

FGP Corp. (FGP) is the project company of the San Lorenzo Power Plant. The company was established on July 23, 1997 to develop a 500 MW gas-fired combined cycle power plant in Santa Rita, Batangas, adjacent to the 1000 MW Santa Rita Power Plant. FGP is 60% owned by UHC and 40% by BG Philippines Holdings, Inc. Most of the economic and structural features that made the Santa Rita project attractive were replicated in the San Lorenzo project to preserve the innovative risk-mitigating structure. All major project agreements were substantially similar to those used in the Santa Rita project. Also, the economic and commercial advantages of being located adjacent to the Santa Rita project were optimized. The project's strategic location allows it to share common facilities such as the tank farm and jetty facilities, thus reducing the need to

duplicate various operational facilities. Cost reductions associated with the operations and maintenance (O&M) of power plant was also achieved through the pooling of O&M personnel and other expenses. Net income and revenues for the year ended December 31, 2005 amounted to \$46.0 million and \$277.4 million, respectively.

5. FIRST PRIVATE POWER CORPORATION

First Private Power Corporation (FPPC) was established on November 27, 1992 to engage in power generation as an IPP. FPPC is 40% owned by First Gen. FPPC currently owns a 93.25%-interest in Bauang Private Power Corporation (BPPC).

6. BAUANG PRIVATE POWER CORPORATION

Bauang Private Power Corporation (BPPC) was incorporated on February 3, 1993. It operates the Bauang Power Plant in Bauang, La Union, a 225 MW diesel-fired power plant which has a Build-Operate-Transfer (BOT) agreement with the National Power Corporation (NPC) for a period of fifteen years from July 25, 1995. For the year ended December 31, 2005, BPPC's net income amounted to \$20.1 million. The company posted revenues of \$51.8 million.

7. FIRST GEN RENEWABLES, INC.

First Gen Renewables, Inc. (FGRI), formerly First Philippine Energy Corporation, was established on November 29, 1978. It is tasked to develop prospects in the renewable energy market. FGRI is transforming itself from a mere supplier of products and systems to a service provider in the countryside. First Gen owns 100% of FGRI. FGRI's net sales and net loss recognized for the year ended December 31, 2005 reached Php1.8 million and Php8.7 million, respectively.

First Gen participated and won in the bidding for the 1.6 MW Agusan mini-hydro power plant conducted by the Power Sector Assets and Liabilities Management Corporation (PSALM) on June 4, 2004 in connection with the privatization of NPC assets. On July 5, 2004, First Gen entered into an Asset Purchase Agreement (APA) with PSALM for the purchase of the Agusan plant for a total consideration of \$1.5 million. On March 29, 2005, all the closing conditions for the execution of the APA were satisfied and the purchase was completed. On October 14, 2005, First Gen conveyed its rights and obligations on the Agusan plant to its wholly-owned subsidiary FG Bukidnon Power Corporation.

8. FG BUKIDNON POWER CORPORATION

FG Bukidnon Power Corporation (FG Bukidnon) is 100% owned by FGRI. The company was incorporated on February 9, 2005. In October 2005, FG Bukidnon took over the operations and maintenance of the Agusan plant. FG Bukidnon's two-month operations in 2005 yielded net income of Php 2.8 million and Php 7.2 million on revenues.

9. FIRST GAS PIPELINE CORPORATION

First Gas Pipeline Corporation (FGPipeline) was incorporated in November 1996 as a wholly-owned subsidiary of FGHC. FGHC's 25-year legislative franchise to construct, install, own, operate and maintain pipeline systems for the transportation and distribution of natural gas was transferred to FGPipeline in September 2005.

10. ALLIEDGEN POWER CORP.

AlliedGen Power Corp. (AlliedGen) was incorporated as a wholly-owned subsidiary of First Gen. Allied Gen is the holding company of the First Gen group's 60% equity interest in First NatGas Power Corp., which will be the operating company for the proposed San Gabriel project.

11. FIRST NATGAS POWER CORP.

First NatGas Power Corp. (FNPC) is the proposed operating company of the San Gabriel project, a 550 MW natural gas-fired power plant to be built on land adjacent to the FGPC and FGP plant

sites. As of December 31, 2005, FNPC is conducting a feasibility study for the San Gabriel project and has initiated the process required to obtain the necessary regulatory approvals.

12. FIRST GEN LUZON POWER CORP.

First Gen Luzon Power Corp. (FGLPC) was incorporated on May 26, 2005 as a wholly-owned subsidiary of First Gen. FGLPC is intended to be the operating company for acquired generating facilities. First Gen intends to participate in the bidding for selected NPC-owned power generation plants that are scheduled for privatization. First Gen also intends to evaluate the acquisition of privately-owned power generation facilities in the Philippines that may be put up for sale by other power generation companies.

13. FIRST NATGAS SUPPLY CORP.

On November 16, 2005, First Gen, through the directors of FGHC, incorporated First NatGas Supply Corporation (FNSC). FNSC will be engaged in the trading of natural gas.

Business of Issuer

1. FIRST GEN CORPORATION

First Gen is engaged in the business of power generation through its operating companies (i) FGPC which operates the 1000 MW Santa Rita power plant; (ii) FGP which operates the 500 MW San Lorenzo power plant; (iii) BPPC which constructed and operates the 225 MW Bauang power plant; and (iv) FG Bukidnon which operates the 1.6 MW Agusan power plant. The company's power generation projects are subject to numerous regulations as they are participants in an environmentally-critical industry. These projects were required to meet and strictly maintain international environmental standards.

The Philippine power industry is dominated by NPC, a government-owned and operated company. The Philippine generation sector can be grouped into three main categories: (i) NPC-owned and operated generation facilities; (ii) NPC-owned plants, which consist of plants operated by IPPs, as well as IPP-owned and operated plants, all of which supply electricity to NPC; and (iii) IPP-owned and operated plants that supply electricity to customers other than NPC.

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

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

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

3. FGP CORP. (San Lorenzo Power Plant)

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

FGPC and FGP operate under the same business environment as the other power generating companies in the country.

4. BAUANG PRIVATE POWER CORPORATION (Bauang Power Plant)

BPPC is a special purpose company established to construct, commission, operate and maintain the 225 MW diesel-engine power generating plant pursuant to an Accession Undertaking to the 15-year Build-Operate-Transfer Agreement executed on January 11, 1993 between NPC and FPPC.

BPPC sells power generated by the Bauang power plant exclusively to NPC. NPC pays BPPC monthly capacity and energy fees on a monthly basis. Capacity fees are payable on a take-or-pay basis depending on the plant's nominated capacity and availability. Energy fee is variable and premised on actual power generated and delivered to NPC.

NPC provides the plant's major production input – bunker, diesel fuel and start-up electricity. NPC directly transacts with the fuel suppliers and coordinates delivery and product specifications of fuels as defined under a Fuel Supply Management Agreement.

BPPC operates under the same business environment as most of the NPC IPPs in the country.

Description of Registrant

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

Company	Principal Products/Services	Market	Effective Contribution to Consolidated Sales/Revenues² <i>(amounts in thousands)</i>
FGPC	Power generation	Meralco	\$ 548,201
FGP	Power generation	Meralco	\$ 277,395
BPPC	Power generation	NPC	Not part of revenues but shown as equity in net earnings amounting to \$7,484
FG Bukidnon	Power generation	CEPALCO	\$ 130

Foreign Sales. All the above-listed entities operate in the Philippines and no revenue/net income is contributed by foreign sales.

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

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

Under the terms of BPPC's Build-Operate-Transfer Agreement with NPC pertaining to the Bauang power plant, NPC is obligated to purchase on a take-or-pay basis all the electricity generated by the Bauang power plant based on its nominated capacity. The power generated by the Bauang power plant is delivered to the Luzon grid through the plant's switchyard that is connected to the two 230kV high voltage transmission lines leading to the Bauang and Labrador circuits. Under the terms of the agreement, NPC is responsible for the transmission of power generated to the Luzon grid.

² As of December 31, 2005.

FG Bukidnon's Agusan mini-hydro plant is connected to the local Cagayan Electric Power & Light Company, Inc. (CEPALCO) distribution grid via the distribution line of Transco. On June 3, 2005, FG Bukidnon entered into an interim power supply agreement with CEPALCO wherein CEPALCO guarantees to take all electrical energy generated from the Agusan mini-hydro plant under such terms and conditions as may be agreed upon in a long-term power supply agreement that will be negotiated and executed by both parties, and thereafter approved by the Energy Regulatory Commission (ERC).

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

Natural gas pipeline. In January 2001, Republic Act No. 8997 was enacted, granting FGHC, First Gen's 60.0%-owned subsidiary, a 25-year legislative franchise to construct, install, own, operate and maintain pipeline systems for the transportation and distribution of natural gas throughout the island of Luzon. The franchise is the only specific legislative franchise granted by the Philippine Congress for the island of Luzon and is an important part of First Gen's strategy to enter the downstream natural gas transmission and distribution business.

FGHC signed a non-binding Memorandum of Agreement with United Coconut Chemicals, Inc. (Cocochem), the largest oleochemical plant in the country, for the installation and operation of a three-kilometer gas distribution pipeline system that will transport natural gas to Cocochem's facilities in San Pascual, Batangas. FGHC obtained the ECC required for the project on August 1, 2005. Current initiatives are focused on negotiating key project activities, acquisition of the pipeline's rights-of-way, addressing its technical requirements, and securing relevant project permits, among others. Cocochem has signified interest to switch to natural gas. The estimated cost for the pipeline project is \$4 million.

FGHC also has plans to construct a Batangas to Manila natural gas transmission pipeline system with an estimated cost of \$120 million.

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

Competition. With the government committed to implement the privatization of the majority of NPC-owned power generation facilities and the establishment of the Wholesale Electricity Spot Market (WESM), First Gen's generation facilities will face competition from other power generation plants that supply the Luzon power grid, which would include leading multinationals such as Mirant Corporation and Korea Electric Power Corporation. Likewise, the Agusan plant faces competition from local generation companies within the relevant provincial or regional grids, such as Mindanao Energy System and Hydro Electric Development Corporation.

First Gen will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as competition for financing these activities. The performance of the Philippine economy and the potential shortfall in the Philippines' energy supply have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects within the Philippines. Accordingly, competition for and from new power projects may increase in line with the long-term economic growth in the Philippines.

At present, operating companies FGPC and FGP have long-standing PPAs with their customer Meralco as sole off-taker of power output. For BPPC, NPC is the sole off-taker of power output under its 15-year agreement.

Raw Materials and Suppliers. The Malampaya consortium (Shell Philippines Exploration B.V., Shell Philippines LLC, Chevron Malampaya, LLC, and PNOG Exploration Corporation) supplies natural gas to the Santa Rita and San Lorenzo plants. NPC provides the Bauang plant its bunker and diesel fuel requirements.

Customer. Both FGPC and FGP are dependent on their sole customer Meralco, with which separate PPAs have been executed.

Transactions with and/or Dependence on Related Parties. Both FGPC and FGP have separate PPAs with its affiliate Meralco as off-taker of power generated by the Santa Rita and San Lorenzo plants.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions, and Royalty Agreements. Republic Act No. 8997 granted FGHC a 25-year legislative franchise to construct, install, own, operate and maintain pipeline systems for the transportation and distribution of natural gas throughout the island of Luzon. The franchise has been transferred to FGPipeline.

Government Approvals. Pursuant to the provisions of the Electric Power Industry Reform Act of 2001 (EPIRA), each of FGPC, FGP, and BPPC applied for, and was granted, a Certificate of Compliance (COC) for their respective power plants. The ERC issued the COC of FGPC on November 5, 2003, BPPC on June 4, 2003, and FGP on September 14, 2005. Each COC is effective for 5 years, subject to renewal. These operating companies are likewise the holders of separate Certificates of Registration from the Board of Investments, and ECCs from the Department of Environment and Natural Resources (DENR).

Government Regulations. EPIRA and its Implementing Rules and Regulations (IRR) provide for significant changes in the power sector, including the unbundling of generation, transmission, distribution and supply, including electricity rates, charges, and costs; creation of a WESM; and open and non-discriminatory access to transmission and distribution systems. Pursuant to EPIRA's objective of lowering electricity rates to end-users, sales of generated power by generation companies have been classified as value-added tax (VAT) zero-rated.

Pursuant to Republic Act No. 9337, the sale of electricity was to be subject to a VAT of 10% beginning November 1, 2005, to be increased to 12% beginning February 1, 2006. First Gen expects that the amounts charged by its operating companies FGPC, FGP, and BPPC to its customers will increase by 10%, and consequently by another 2%, in order to include the output VAT.

EPIRA also provides several restrictions on the generation sector: (i) absolute cross-ownership restriction between generation and transmission companies; (ii) cap on the concentration of control of generation capacity at 30% of a grid's installed generating capacity and/or 25% of the national installed generating capacity; and (iii) cap amounting to 50% of total demand of a distribution utility on its purchases from associated generation companies, except for contracts entered into prior to the effectivity of the EPIRA.

Pursuant to the provisions of Section 36 of the EPIRA, all electric power industry participants shall prepare and submit for approval of the Energy Regulatory Commission (ERC) their respective Business Separation and Unbundling Plans (BSUP) which require all industry participants to structurally and functionally unbundle their business activities. Since each of FGPC, FGP, and BPPC is engaged solely in the business of power generation, to the exclusion of the other business segments of transmission, distribution, supply and other related business activities, compliance with the BSUP requirement on accounting separation is not reasonably practicable. Instead, each of FGPC and FGP filed its BSUP package on June 30, 2004, and BPPC on June 28, 2004. FGPC and BPPC also submitted in April 2005 additional documents such as 2004 audited financial statements, and depreciation and transfer pricing policies.

Environmental Laws. First Gen's power generation operations are subject to extensive, evolving, and increasingly stringent safety, health, and environmental laws and regulations. These laws and regulations, such as the Clean Air Act (Republic Act No. 8749), address, among other things, air emissions; wastewater discharges; the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials and waste; and workplace conditions and employee exposure to hazardous substances. Each of FGPC, FGP, and BPPC has incurred, and expect to continue to incur, operating costs to comply with such laws and regulations. In addition, First Gen has made and expects to make capital expenditures on an ongoing basis to comply with safety, health, and environmental laws and regulations. In relation to these laws and regulations, FGPC has incurred a total cost of \$0.04 million, FGP \$0.02 million, and BPPC \$0.02 million.

Management believes that each of the company's power generation facilities complies in all material respects with all applicable safety, health, and environmental laws and regulations. Emissions of carbon dioxide, nitrous oxide, sulfur oxide, and particulate matter at the Santa Rita, San Lorenzo, and Bauang plants were all well below the standards fixed by the DENR. For Santa Rita and San Lorenzo, air and noise emission and effluent discharge levels are monitored by plant personnel and regularly validated by a group which includes the DENR. For Bauang, effluent discharges and noise levels are monitored by plant personnel, while air emission levels are measured by independent agency Berkman Systems, Inc. Compliance with environmental policies and guidelines are also regularly assessed as part of the conditions to the financing obtained for the Santa Rita and San Lorenzo plants.

The adoption of new safety, health, and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require First Gen to make additional capital expenditures or incur additional operating expenses in order to maintain the operations of its generating facilities at their current level, curtail power generation, or take other actions that could have a material adverse effect on the company's financial condition, results of operations, and cash flow.

Employees.

Company	Number of regular employees		Union Members	CBA Expiration
First Gen		11	None	NA
Vice President	1			
Senior Manager	3			
Manager	3			
Assistant Manager	1			
Staff	3			
FGHC		16	None	NA
Asst. Vice President	5			
Manager	2			
Assistant Manager				
Supervisor	2			
Staff	7			
FGPC		39	None	NA
Vice-President	4			
Asst. Vice President	2			
Senior Manager	9			
Manager	9			
Assistant Manager	2			
Supervisor	4			
Staff	9			
FGP		40	None	NA
Vice-President	1			
Senior Manager	7			
Manager	3			
Assistant Manager	3			
Supervisor	5			
Staff	21			

FGRI		5	None	NA
President	1			
Vice-President	1			
Senior Manager	1			
Manager				
Assistant Manager				
Staff	2			

FG Bukidnon		8	None	NA
Vice-President				
Senior Manager				
Manager				
Assistant Manager	1			
Staff	7			
BPPC		209		
EVP, Senior VP and Assistant VP	5			
Senior Manager	8			
Manager	17			
Supervisor	47			
Staff	132		81	Dec 2006

Major Risks. To properly identify, assess, and manage the risks to which First Gen and its subsidiaries are exposed to, the company has put in place an enterprise risk management system. Following are some of the major risks involved in the operations of First Gen and its subsidiaries:

Meralco. Payments by a single offtaker, Meralco, to the generation subsidiaries account for most of the company's revenues. If Meralco experiences financial difficulties and is unable to meet its payment obligations to the generation subsidiaries, the company would be materially and adversely affected. The company earns substantially all of its total revenues from Meralco as its lone customer. Meralco is committed to pay the generation subsidiaries for capacity and energy from the Santa Rita and San Lorenzo power plants under long-term PPAs. The Santa Rita and San Lorenzo PPAs are due to expire on August 16, 2025 and September 30, 2027, respectively.

Competitive Energy Market. In recent years, the government has sought to implement measures designed to establish a competitive energy market. These measures include the privatization of approximately 70.0% of NPC-owned power generation facilities and of government-owned and -operated transmission facilities, as well as the establishment of a wholesale market for electricity. The move towards a more competitive environment could result in the emergence of new and numerous competitors. These competitors may have greater financial resources and more extensive operational experience and other capabilities, giving them the ability to respond to operational, technological, financial, and other challenges more quickly. The type of fuel that competitors use for their generation facilities may also allow them to produce electricity at a lower cost and sell electricity at a lower price. In addition, distribution utilities such as Meralco are now free to purchase electricity from other generation companies. To the extent that Meralco agrees to purchase power from other generation companies that it otherwise could have purchased from First Gen's generation subsidiaries above the relevant minimum energy quantity (MEQ), or from generation facilities that may be acquired or developed by the company, the ability of the generation subsidiaries to increase their revenues, and of the company to sell additional electricity to Meralco through new generation facilities, as the case may be, would be adversely affected.

EPIRA Amendments. Several bills have been filed in Congress proposing amendments to the EPIRA. These proposed amendments include: (i) cross ownership restrictions between generation and distribution sectors; (ii) restrictions on the amount (33%) of electric power that a distribution utility can source from a single generation company or from generation companies wholly-owned or controlled by the same interests; (iii) accelerated commencement of retail open access via amendment of conditions precedent, particularly the privatization of NPC generating assets from 70% to 50% (iv) more stringent stranded cost recovery mitigation measures for bilateral contracts between affiliated companies; and (v) restrictions on the type of assets included in the rate base of a distribution utility. There is no assurance that these proposed amendments will be enacted in their current form or at all, or when any amendment to the EPIRA will be enacted. Proposed amendments to the EPIRA, including those discussed above, as well as other legislation or regulations, could have a material adverse impact on First Gen's business, financial condition and results of operations.

Item 2. Properties

The company's head office is located at the 3rd Floor, Benpres Building, Ortigas Center, Pasig City. The premises are leased from INAEC Development Corporation, a subsidiary of FPHC. The following table sets out the status of land used for First Gen's power generation facilities:

Location	Area (hectares)	Owned/Leased	Parcels of Land	Title Status as of December 2005
Santa Rita	33	Owned	93	All are titled
San Lorenzo	24	Owned/Leased	62	24 are titled, with the remaining 38 parcels subject of titling proceedings
Bauang	22	(NPC is obligated to provide the land on which the Bauang plant is located and BPPC is granted use thereof pursuant to the terms of the BOT agreement)	78	4 titles have been transferred under the name of NPC, while the balance is subject to cadastral titling and is pending with the Bauang Regional Trial Court
Agusan Mini-Hydro	1.1	Leased ³	9	2 parcels are titled under the name of NPC. Application for registration of land title for 5 lots are pending with the Regional Trial Courts of Manolo Fortich. NPC is also finalizing registration of the sale and segregation survey of 2 remaining lots before transfer of title in NPC's name can be effected.

Liens and Encumbrances

The property, plant and equipment of FGPC, with net book value of \$ 431 million as of December 31, 2005, have been used to secure FGPC's long-term debt. FGPC has also granted its creditors a first priority lien on most of its real and other properties, including revenues from the operations of the Santa Rita power plant. In addition, the shares of stock of FGPC held by FGHC were pledged as part of security to its lenders.

The property, plant and equipment of FGP, with net book value of \$ 266.5 million as of December 31, 2005, have been used to secure FGP's long-term debt. FGP has also granted its creditors a first priority lien on most of its real and other properties, including revenues from the operations of the San Lorenzo power plant. In addition, the shares of stock of FGP held by UHC were pledged as part of security to its lenders.

³ *The Land Lease Agreement covers a total area of 10,581 square meters, which includes the powerhouse and the administration and housing compound areas. Access to the non-power component areas is by virtue of an Operations and Maintenance Agreement with NPC.*

The property, plant and equipment of BPPC, with net book value of \$ 53.76 million as of December 31, 2005, have been used to secure BPPC's long-term debt. BPPC has also granted its creditors a first priority lien on most of its real and other properties, including revenues from the operations of the Bauang power plant. In addition, the shares of stock of FGPC, which owns 93.25% of BPPC, have been pledged as part of security to its lenders.

Item 3. Legal Proceedings

Engineering, Procurement and Construction (EPC) Contracts. FGPC entered into a turnkey EPC Contract with Siemens AG, Siemens Power Generation, and Siemens, Inc. (Siemens) for the construction of the Santa Rita power plant. A dispute has arisen with Siemens relating to Siemens' construction of the power plant, pursuant to the EPC Contract. Siemens and its subcontractors incurred delays in project completion, resulting in amounts of approximately \$99.3 million owing from Siemens to FGPC under the EPC Contract. Pursuant to the EPC Contract, FGPC withheld approximately \$94.2 million of its milestone payments, inclusive of variation orders, to Siemens.

In December 2002, Siemens submitted a Request for Arbitration to the International Chamber of Commerce (ICC) in London against FGPC arising out of alleged delays to the construction of the project. In the Request for Arbitration, Siemens claims payment for certain milestones achieved in the project, which FGPC has withheld in lieu of liquidated damages amounting to approximately \$94.2 million. Also, Siemens claims an additional sum in the amount of approximately \$64.0 million for prolongation costs and miscellaneous matters. The Arbitral Tribunal considered Siemens' claims and the liquidated damages issues during hearings held in March and April 2005.

In November 2005, the Arbitral Tribunal made its award in relation to Siemens' extension of time claims and ruled that Siemens was entitled to extensions of time and/or suspension of delay liquidated damages in respect of Block 1 and Block 2 completion of 32 days and 60 days, respectively. However, notwithstanding Siemens' entitlement to an extension of time, delays to the project for which Siemens was responsible meant that FGPC was entitled to the full amount of delay liquidated damages in the aggregate amount of \$99.3 million. As FGPC had already withheld \$94.2 million in payment to Siemens, only the balance of \$5.1 million is due to be paid to FGPC by Siemens, subject to any set-offs and counterclaims to be determined by the Arbitral Tribunal in its final award. On December 26, 2005, the time for Siemens to counteract the decision of the Arbitral Tribunal in relation to FGPC's entitlement to the full amount of the delay liquidated damages expired. With this, the withheld amount of approximately \$93.9 million of unpaid EPC milestone payments, net of applicable taxes, was treated as a reduction in the cost of the power plant complex in 2005. The balance of \$5.1 million was recognized as part of "Other income (charges)" account in the consolidated statements of income.

In addition to claiming an entitlement to \$99.3 million liquidated damages from Siemens for the delays to the project, FGPC filed counterclaims against Siemens for an adjusted aggregate amount of approximately \$83.0 million. Both Siemens and FGPC claim interest from each other and the legal costs involved in pursuing claims and counterclaims. FGPC's counterclaims were heard in September 2005. The Arbitral Tribunal is currently in the process of deciding on the merits of FGPC's counterclaims, as well as the issues of interest and costs.

Gas Sale and Purchase Agreements (GSPA). Each of FGP and FGPC has a 22-year GSPA with the Gas Sellers (Shell Philippine Exploration B.V., Shell Philippines LLC, Chevron Malampaya, LLC, and PNOG Exploration Corporation) for the supply of natural gas in connection with the operations of their respective power plants.

Gas Sellers are claiming annual deficiency payments against FGP amounting to approximately \$55.0 million, and against FGPC for \$163.4 million, both as of December 31, 2005 and 2004. Under the GSPAs, both FGP and FGPC are obligated to consume (or pay for, if not consumed) a minimum quantity of gas for each contract year called the take-or-pay quantity, otherwise, FGP/FGPC incurs an annual deficiency for that contract year. FGP/FGPC is 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/FGPC can make-up such annual deficiencies by consuming the unused-but-paid-for gas (without further charge) within 10 contract years after the contract year for which the annual deficiency was incurred, in the order that it arose. Gas Sellers' claims against FGP for annual deficiency payments are for unconsumed gas volumes for contract years 2003 and 2004, and against

FGPC for unconsumed gas volumes for contract years 2002, 2003, and 2004. Neither FGP nor FGPC has made any payments for such claims.

In addition, FGP paid certain fees to Gas Sellers, in lieu of incurring certain annual deficiency payment obligations for the first contract year (2002) as a result of the failure to commence commercial operations of the power plant at the start date (July 2, 2002) in accordance with the GSPA.

A dispute has arisen with Gas Sellers under the GSPAs relating to FGPC's/FGP's position that Gas Sellers breached the terms of the "Most Favored Nation Clause" (MFN Clause) contained in the GSPAs by failing to notify and offer certain pricing terms and conditions to FGP/FGPC that Gas Sellers had previously offered to NPC in connection with NPC's 1200 MW Ilijan power plant. Both FGP and FGPC are also claiming *force majeure* relief from the annual deficiency payments being claimed by Gas Sellers for contract years 2003 and 2004 for FGP, and 2002-2004 for FGPC, due to FGP's/FGPC's inability to consume natural gas at the base take-or-pay quantity level.

Gas Sellers have also invoiced FGP and FGPC for interests in connection with the disputed annual deficiency payments of approximately \$4.8 million as of December 31, 2005 and \$1.8 million as of December 31, 2004 for FGP, and \$22.2 million as of December 31, 2005 and \$9.7 million as of December 31, 2004 for FGPC.

On March 22, 2006, FGP and FGPC executed separate Settlement Agreements and Payment Deferral Agreements (Settlement Documents) with the Gas Sellers. The Settlement Documents resolve the outstanding issues with the Gas Sellers discussed in the foregoing. The effectiveness of the Settlement Documents, however, is still subject to the satisfaction or waiver of certain conditions. FGP and FGPC each have 70 days from date of execution of the Settlement Documents to meet such conditions. Management believes that the satisfaction or waiver of certain conditions indicated in the Settlement Documents will be obtained within the 70-day period, thus, the recorded Annual Deficiencies as of December 31, 2004 amounting to \$55.0 million for FGP and \$163.4 million for FGPC have been reduced to \$32.7 million and \$115.3 million, respectively, to account for the effects of the negotiations with the Gas Sellers.

While FGP's and FGPC's payment obligations under the GSPAs and the Settlement Documents are ultimately passed through to Meralco under their respective PPAs, both FGP and FGPC nevertheless vigorously pursued their rights, particularly the MFN Clause under the GSPAs. As a result, FGP successfully reduced the take-or-pay amount claimed by the Gas Sellers by \$35.3 million, and FGPC by about \$48.1 million. The take-or-pay amount has been negotiated down to \$32.7 million from \$68.0 million for FGP, and down to \$115.3 million from \$163.4 million for FGPC, and both FGP and FGPC obtained Payment Deferral Agreements starting October 1, 2005. The pre-settlement interest due in connection with the disputed annual deficiency payments is lower than what the Gas Sellers have invoiced, having been reduced from \$4.3 million to \$2.8 million for FGP, and from \$16.4 million to \$10.6 million for FGPC, both as of December 31, 2005.

FGPC Real Property Tax. On June 25, 2003, FGPC received various Notices of Assessment and Tax Bills dated April 15 and 21, 2003 from the Provincial Government of Batangas, through the Office of the Provincial Assessor, imposing an annual real property tax (RPT) on steel towers, cable/transmission lines and accessories (T-Line) amounting to \$0.22 million (Php12 million) per year. FGPC, claiming exemption from said RPT, appealed the assessment to the Provincial Local Board of Assessment Appeals (LBAA). FGPC argued that the T-Line does not constitute real property for real property tax purposes, and even assuming that the T-Line is regarded as real property, FGPC is still not liable for RPT as it is NPC/ Transco, a government-owned and -controlled corporation (GOCC) engaged in the generation and/or transmission of electric power, which has actual, direct and exclusive use of the T-Line. FGPC sought for, and was granted, a preliminary injunction by the Regional Trial Court (Branch 7) of Batangas City to enjoin the Provincial Treasurer of Batangas City from collecting the RPT pending the decision of the LBAA. Despite the injunction, the LBAA issued an Order dated September 22, 2005 requiring FGPC to pay the RPT within fifteen (15) days from receipt of the Order. On October 22, 2005, FGPC filed an appeal before the Central Board of Assessment Appeals (CBAA) assailing the validity of the LBAA order. An opposition was filed by the Province of Batangas, to which FGPC filed a Reply. In a decision dated January 30, 2006, the Regional Trial Court (Branch 7) of Batangas City denied a 2nd motion to lift the injunction previously

issued by the court to stop the collection of the tax pending decision of the LBAA. Hence, the preliminary injunction stays. The court is scheduled to conduct a pre-trial of the main case for prohibition.

BPPC Real Property Tax. There are ongoing cases involving petitions filed by NPC for declaration of exemption from RPT. The first case was filed by NPC with the LBAA of La Union Province in connection with the assessment of RPT by the Provincial Treasurer on BPPC's machinery and equipment for the period 1995 to 1999. Following the denial of NPC's petition for exemption by the LBAA and NPC's appeal to the CBAA, BPPC formally intervened in the CBAA case to further protect its interest. The CBAA affirmed the decision of the LBAA. Both NPC and BPPC filed their respective appeals to the Court of Tax Appeals (CTA). Last February 13, 2006, the CTA promulgated a decision denying the respective appeals filed by BPPC and NPC. BPPC filed a Motion for Reconsideration with the CTA. In the event of a denial of the motion by the CTA, BPPC may seek reversal of the CTA ruling with the Supreme Court.

The second case was filed by NPC, for itself and on behalf of BPPC, following issuance of a revised assessment of RPT on BPPC's machinery and equipment on July 15, 2003 by the Municipal Assessor of the Municipality of Bauang, La Union. Under said revised Assessment, the maximum tax liability for the period 1995 to 2003 is about \$14.61 million (Php775.1 million), based on the maximum 80% assessment level imposable on privately-owned entities and a tax rate of 2%. In addition, interest on the unpaid amounts (2% per month not exceeding 36 months) has reached a total amount of \$9.22 million (Php489.0 million). The case remains pending with the LBAA of the Province of La Union.

The third case was filed on October 19, 2005 by NPC, for itself and on behalf of BPPC, following receipt of a Statement of Account from the Municipal Treasurer dated August 5, 2005 for RPT on BPPC's buildings and improvements from 2003 to August 2005 amounting to \$0.08 million (Php4.2 million). The case is pending with the LBAA of the Province of La Union.

The agreement between BPPC and NPC specifically provides that NPC shall be responsible for the payment of all real estate taxes and assessments in respect of the site and machinery, equipment and improvements of the power plant complex. Pursuant thereto, BPPC believes that it has a right of recourse to NPC in the event the court decides with finality that IPPs are liable for RPT on machinery and equipment and/or buildings and improvements on their plants.

BPPC also filed a Petition for Certiorari and Prohibition in September 2004, to contest an assessment for franchise tax for the period 2000 to 2003 amounting to \$0.62 million (Php33.0 million), including surcharges and penalties, on the ground that BPPC is not a public utility which is required by law to obtain a legislative franchise before operating and is subject to franchise taxes. The case is pending before the Regional Trial Courts of Bauang, La Union.

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

Not applicable.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information. First Gen's common shares are listed on the Philippine Stock Exchange, Inc. The shares were traded beginning February 10, 2006. For the quarter ended March 31, 2006, the highest sale price was Php47.00 per share, and the lowest Php41.00 per share. As of March 31, 2006, the closing price of First Gen's common shares was Php45.00 per share.

Holder. Per records of the company's stock transfer agent as of March 31, 2006, there are 421 holders of First Gen shares of common stock, with the following top 20 stockholders:

Rank	Name and Address	Number of Shares	Percentage
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1	FIRST PHILIPPINE HOLDINGS CORPORATION C/O FGEN	412,966,918.00	51.639842
2	PCD NOMINEE CORPORATION 37/F ENTERPRISE BLDG. AYALA AVE., MAKATI CITY	179,163,250.00	22.40364
3	FGHC INTERNATIONAL LIMITED C/O FGEN	123,238,400.00	15.410463
4	AIDEC FG POWER CORPORATION LIMITED C/O FGEN	46,988,060.00	5.875667
5	SUMMIT GLOBAL MANAGEMENT II B.V. C/O FGEN	23,099,740.00	2.888529
6	PCD NOMINEE CORPORATION 37/F ENTERPRISE BLDG. AYALA AVE., MAKATI CITY	10,275,650.00	1.284928
7	GEMMA T. TANBUNTIONG 55 BUCHANAN ST. NORTH GREENHILLS SAN JUAN,MM	463,000.00	0.057896
8	OSCAR M. LOPEZ C/O FGEN	220,040.00	0.027515
9	PETER D. GARRUCHO, JR. C/O FGEN	120,040.00	0.015011
10	FRANCIS GILES B. PUNO &/OR MA. PATRICIA D. PUNO 23 ARIES ST BEL-AIR 3 MAKATI CITY	120,000.00	0.015006
11	JONATHAN RUSSELL 3F BENPRES BUILDING EXCHANGE ROAD PASIG CITY	110,700.00	0.013843
12	FEDERICO R. LOPEZ C/O FGEN	106,340.00	0.013297
13	MANUEL M. LOPEZ &/OR MA. TERESA L. LOPEZ THE BUSTLE PENTHOUSE, RIZAL TOWER, ROCKWELL CENTER, MAKATI CITY	106,300.00	0.013292
14	THE INSULAR LIFE ASSURANCE CO., LTD. IL CORPORATE CTR.,FILINVEST CORP., ALABANG, MUNTINLUPA CITY	106,000.00	0.013255
15	PAUL ROSENBERG MCPO BOX 3213, MAKATI CITY	100,000.00	0.012505

16	AUGUSTO A. LOPEZ 5F BENPRES BLDG., MERALCO AVE., PASIG CITY	100,000.00	0.012505
17	ERNESTO L. LOPEZ #38A RIZAL TOWER, ROCKWELL CENTER, MAKATI CITY	79,500.00	0.009941
18	BERNADINE T. SIY 44 STO DOMINGO ST URDANETA VILLAGE MAKATI CITY	64,000.00	0.008003
19	MONINA D. LOPEZ #438B RIZAL TOWER, ROCKWELL CENTER, MAKATI CITY	63,800.00	0.007978
20	ANGELA Z. LANNING #30D LAWTON ESSENSA, BONIFACIO GLOBAL CITY, TAGUIG, METRO MANILA	60,000.00	0.007503
	TOTAL TOP 20	797,551,738.00	99.730618
	OTHER STOCKHOLDERS	2,154,262.00	0.269382
	TOTAL OUTSTANDING	799,706,000.00	100

Dividends. For the years 2005 and 2004, First Gen declared the following cash dividends to certain shareholders of record:

Cash dividends: In Thousands USD	2005	2004
Preferred stock	36,191	-
Common stock	20,000	40,000

Under the Corporation Code, the company may not make any distribution of dividends other than out of its unrestricted retained earnings.

First Gen's current dividend policy entitles holders of common shares to receive annual cash dividends equivalent to 30.0% of the prior year's recurring net income based on the recommendation of the board of directors. Such recommendation will take into consideration factors such as debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves and working capital, among others. The cash dividend policy may be changed by the company's board of directors at any time.

Under the Trust Agreement covering the June 2005 peso bond offering of First Gen, the company shall not declare or pay any dividends (other than stock dividends) during an Event of Default (as this term is defined in the Trust Agreement) or if payment would result in an Event of Default except with the prior written consent of the bondholders who hold, represent or account for at least 51.0% of the aggregate outstanding principal amount of the bonds. In addition, First Gen is required to maintain certain financial ratios and comply with certain covenants under the Trust Agreement. Further, the generation subsidiaries' loan agreements carry covenants that restrict declarations or payments of dividends under certain circumstances, such as in the event of default or if payment would cause an event of default, if certain financial ratios are not met or payment would cause them not to be met, requiring revenues of the generation subsidiaries to be applied toward certain expenses prior to the payment of dividends and others circumstances.

Subject to the preferential rights of voting preferred share holders described below, each holder of a

common share is entitled to a *pro rata* share in the assets of the company available for distribution to the shareholders in the event of dissolution, liquidation and winding up.

In the event of any voluntary or involuntary liquidation, dissolution, distribution of assets or winding up of the company, holders of voting preferred shares then outstanding shall be entitled to receive out of the net assets of the company the amount per share fixed by the resolutions of the board of directors to be received by the holders of shares of each such series on such voluntary or involuntary liquidation, dissolution, distribution of assets or winding up, as the case may be, for every share of their holdings of voting preferred shares, before any distribution or payment shall be made to the holders of the common shares, and shall be entitled to no other or further distribution.

Sale of Unregistered/Exempt Securities.

Executive Stock Option Plan (ESOP). The Securities and Exchange Commission (SEC), in Resolution No. 445 dated August 29, 2002, held that First Gen's issuance of 452,285 shares of stock pursuant to its ESOP is exempt from the registration requirements under Section 10.2 of the Securities Regulation Code. On November 29, 2005, the SEC set aside Resolution No. 445 and issued Resolution No. 372 to reflect the adjustment of ESOP shares from 452,285 to 18,091,400. No options have been exercised.

Employee Stock Purchase Plan (ESPP). The SEC, in Resolution No. 272 dated August 30, 2005, held that First Gen's issuance of 113,071 shares of stock pursuant to its ESPP is exempt from the registration requirements under Section 10.2 of the Securities Regulation Code. On November 29, 2005, the SEC set aside Resolution No. 272 and issued Resolution No. 373 to reflect the adjustment of ESPP shares from 113,071 to 4,522,844. No shares under the ESPP have been purchased by any employee.

Stock Dividend Declaration. In a letter dated May 23, 2005, the SEC noted and approved First Gen's declaration of a 300% stock dividend payable to its stockholders as of April 4, 2005.

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

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

Item 7. Financial Statements

The Audited Financial Statements for the years ended December 31, 2005 and 2004 are hereto attached as **Exhibit "B"**.

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

SyCip Gorres Velayo & Co. (SGV) has acted as First Gen's external auditors since its incorporation in December 1998. There has, however, been a change in the audit partners handling the corporation. Gemilo J. San Pedro served as audit partner from 1999 to 2001, while Wilson P. Tan, the current audit partner for the corporation, has served as such since December 31, 2002. The corporation is therefore in compliance with SEC Memorandum Circular No. 8, series of 2003, requiring the corporation to rotate or change the handling partner of its independent public accountant every five years.

The corporation has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors, Executive Officers, and Nominees. The board of directors of First Gen currently has eight (8) members and one vacant seat, as a result of the resignation of Mr. Steve E. Psinakis early this year. The corporation is required to have at least two independent directors or such independent directors as shall constitute at least 20% of the members of such board, whichever is lesser, pursuant to the requirements of Section 38 of the Securities Regulation Code (SRC). The directors serve for a period of one year and until their successors shall have been elected and qualified.

The First Gen board of directors is currently composed of the following:

Director	Nationality	Position	Age	Year Position was Assumed
Mr. Oscar M. Lopez	Filipino	Chairman of the board of directors	76	Chairman since 1998
Mr. Peter D. Garrucho, Jr.	Filipino	Vice Chairman of the board of directors and CEO	61	Director since 1998; Vice Chairman and CEO since 2002
Mr. Federico R. Lopez	Filipino	Director, President and COO	44	Director since 1998; President and COO since 2002
Mr. Elpidio L. Ibañez	Filipino	Director	55	Director since 1998
Mr. Tony Tan Caktiong	Filipino	Independent Director	53	Director since 2005
Mr. Cezar P. Consing	Filipino	Independent Director	46	Director since 2005
Mr. Francis Giles B. Puno	Filipino	Director, Senior Vice President and CFO	41	Director since 2005; Senior Vice President and CFO since 2000
Mr. Richard B. Tantoco	Filipino	Director and Senior Vice President	39	Director since 2005; Senior Vice President since 2000

The incumbent directors named above, together with Dr. Fiorello R. Estuar, have been nominated for reelection/election to the board. Mr. Tony Tan Caktiong and Mr. Cezar P. Consing were nominated for election as independent directors of the company.

The following sets forth the business experience of the nominees for directors of the company:

Oscar M. Lopez, born April 19, 1930, Filipino, has been Chairman and Chief Executive Officer of FPHC since 1986, and Chairman of Benpres Holdings Corporation since June 24, 1993. Through these two assignments, Mr. Lopez serves as Chairman of the Lopez Group of companies. He is also a member of the board of ABS CBN Broadcasting Corporation. Mr. Lopez has led FPHC's efforts in other businesses aside from energy and power, including toll road construction, industrial park and real estate development and electronics manufacturing. Mr. Lopez has a Masters degree in Public Administration from the Littauer School of Public Administration, Harvard University (1955). Mr. Lopez also earned his Bachelor of Arts degree (cum laude) from Harvard University (1951).

Peter D. Garrucho, Jr., born May 4, 1944, Filipino, is Managing Director for Energy of FPHC and Vice Chairman and CEO of the Corporation. As part of these responsibilities, Mr. Garrucho also serves as Vice Chairman and CEO of FGHC, FGPC, FGP, FGLPC, and FG Bukidnon. He is also President and CEO of FPPC and BPPC. Prior to his current posts, Mr. Garrucho served in the government as Secretary of Tourism and Secretary for Trade & Industry during the administration of President Corazon C. Aquino. He was also Executive Secretary and Presidential Advisor for Energy Affairs under President Fidel V. Ramos. Mr.

Garrucho has an AB-BSBA degree from De La Salle University (1966) and a Master of Business Administration degree from Stanford University (1971).

Federico R. Lopez, born August 5, 1961, Filipino, is President and Chief Operating Officer of First Gen, FGHC, FGPC, FGP, and FGLPC. Mr. Lopez is also a Vice President of FPHC, and a member of the board of ABS CBN Broadcasting Corporation. He has been a member of FPHC's Energy Task Force since 1993. In addition to his responsibilities in project development, he has also been an active participant in efforts to introduce market reforms in the power industry. He is also President of First Philippine Conservation, Inc. Mr. Lopez is a graduate of the University of Pennsylvania with a Bachelor of Arts degree in Economics and International Relations (cum laude, 1983).

Elpidio L. Ibañez, born September 30, 1950, Filipino, is President and Chief Operating Officer of FPHC. As FPHC COO, Mr. Ibañez monitors the company's other affiliated companies in manufacturing, property development and toll roads. He is also the Chief of Staff of Benpres Holdings Corporation and is a member of the board of various Benpres-affiliated companies. Mr. Ibañez obtained a Masters degree in Business Administration from the University of the Philippines (1975) and a Bachelor of Arts degree with a major in Economics from the Ateneo de Manila University (1972).

Francis Giles B. Puno, born September 1, 1964, Filipino, is Senior Vice President and Chief Financial Officer of First Gen, FGPC, FGP, FGLPC, and FG Bukidnon. He led First Gen in the financing of the 1000 MW Santa Rita and the 500 MW San Lorenzo power projects. He also led the company in two major merger and acquisition deals with the entry of AIDEC FG Power Corporation Limited and Sumitomo Corporation as investors, as well as the sale of Panay Power Corporation. Prior to joining First Gen, Mr. Puno worked as Vice President with the Global Power and Environmental Group of The Chase Manhattan Bank based in Singapore. Mr. Puno has a Master of Management degree from the Kellogg Graduate School of Management of Northwestern University (1990) and a Bachelor of Science degree in Business Management from Ateneo de Manila University (1985).

Richard B. Tantoco, born October 2, 1966, Filipino, is Senior Vice President for business development of First Gen, FGPC, FGP, and FGLPC. Mr. Tantoco is responsible for seeking opportunities to develop greenfield power projects as well as developing downstream natural gas transmission and distribution business. Mr. Tantoco led the negotiations of major project contracts that resulted in the development of the 1000 MW Santa Rita power project, the 500 MW San Lorenzo power project, and the 8-km. Tabangao-Santa Rita gas pipeline. Prior to joining First Gen, Mr. Tantoco worked with the management consulting firm Booz, Allen and Hamilton, Inc. in New York and London. Mr. Tantoco has an MBA in Finance from the Wharton School of Business of the University of Pennsylvania (1993) and a Bachelor of Science degree in Business Management from the Ateneo de Manila University where he graduated with honors (1988).

Tony Tan Caktiong, born January 5, 1953, Filipino, is the Chairman, President and CEO of retail giant Jollibee. He also operates Chowking, Greenwich, Delifrance and Yonghe King. He has received numerous awards, including the World Entrepreneur of the Year award in 2004. Mr. Caktiong has a BS Chemical Engineering degree from the University of Santo Tomas (1975) and has management tutoring certifications from Harvard University, Asian Institute of Management, University of Michigan Business School and Harvard Business School.

Cezar P. Consing, born October 20, 1959, Filipino, is a Partner with the Rohatyn Group, a New York-headquartered independent investment management company that focuses on the emerging markets. He has over twenty years' experience in international finance. Mr. Consing is presently a member of the board of directors of Bank of the Philippine Islands, Filgift.com, and CIMB Berhad. Prior to joining the Rohatyn Group, Mr. Consing held several senior management positions at JP Morgan & Co. and JP Morgan Securities (Asia Pacific) Limited. Mr. Consing has a Bachelor of Arts degree in Economic (magna cum laude) from De La Salle University (1979) and a Master's Degree in Applied Economics from the University of Michigan (1980). Mr. Consing is based in Hong Kong. The Rohatyn Group has never rendered professional advisory services to the Corporation or any of its subsidiaries.

Fiorello R. Estuar, born July 27, 1938, Filipino, was nominated in March 2006 for election to the board of directors. He is currently a consultant for the Lopez group of companies; senior consultant for C. Virata & Associates; President/CEO of Maynilad; member of the board of Security Land Corporation; member of the JBIC Advisory Committee; and private sector representative in the Government Procurement Policy Board. He was a member of the Cabinet as Presidential Adviser and Secretary of the Department of Public Works and Highways (1987-91); Administrator of the National Irrigation Administration (1980-83); and President of PNCC (1984-87). Some of his previous activities include: PEZA consultant (1998-2004); President of First Philippine Balfour Beatty Inc. as consultant to the Lopez group (2001-04); and Chairman/member of the board of over 20 public and business corporations (1980-2001). Mr. Estuar obtained his Bachelor of Science degree in Civil Engineering at the University of the Philippines in 1959, and his Ph.D. in Civil Engineering at Lehigh University, USA, in 1965.

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

Officer	Nationality	Position	Age	Year Position was Assumed
Mr. Peter D. Garrucho, Jr.	Filipino	Vice Chairman of the board of directors and CEO	61	Director since 1998; Vice Chairman and CEO since 2002
Mr. Federico R. Lopez	Filipino	Director, President and COO	44	Director since 1998; President and COO since 2002
Mr. Ernesto B. Pantangco	Filipino	Senior Vice President	55	2000
Mr. Francis Giles B. Puno	Filipino	Director, Senior Vice President and CFO	41	Director since 2005; Senior Vice President and CFO since 2000
Mr. Richard B. Tantoco	Filipino	Director and Senior Vice President	39	Director since 2005; Senior Vice President since 2000
Mr. Nestor H. Vasay	Filipino	Vice President and Comptroller	52	2005
Mr. Victor B. Santos, Jr.	Filipino	Vice President and Compliance Officer	38	2005
Mr. Daniel H. Valeriano, Jr.	Filipino	Vice President	56	2001
Mr. Emmanuel P. Singson	Filipino	Vice President and Investor Relations Officer	40	2006
Ms. Rachel R. Hernandez	Filipino	Assistant Corporate Secretary	38	2005

Ernesto B. Pantangco, born September 24, 1950, Filipino, is Senior Vice President of First Gen and Executive Vice President and Chief Operating Officer of FPPC and its major asset, BPPC. He was responsible for the development, financing, construction and operation of the 225 MW Bauang and 72 MW Panay power plants. Mr. Pantangco is on his second term as President of the Philippine Independent Power Producers Association. Mr. Pantangco has a Bachelor of Science in Mechanical Engineering degree from De La Salle University (1973) and Master of Business Administration degree from the Asian Institute of Management, dean's list (1976). He is a registered mechanical engineer and placed 6th in the 1973 Government board exams.

Nestor H. Vasay, born October 5, 1953, Filipino, is Vice President and Comptroller of First Gen. Mr. Vasay is mainly responsible for the loan administration and financial controls of the company, FGHC, FGPC, FGP, First Gas Pipeline Corp., First NatGas Power Corp., FG Land Corporation, UHC, AlliedGen, FG Bukidnon, FGRI, and FGLPC. Prior to his current post, Mr. Vasay worked as Assistant Vice President and Head of Credit Review for International Exchange Bank. He was also previously connected with the Manila Branch of Chase Manhattan Bank., N.A. as Second Vice President and Manager for Credit Administration. Mr. Vasay is a Certified Public Accountant and holds a Bachelors Degree in Business Administration from Angeles University (1976).

Victor B. Santos, Jr., born September 7, 1967, Filipino, is Vice President - Legal and Regulatory of First Gen and also serves as its Compliance Officer. Prior to joining the company, Mr. Santos worked with Enron Corp. in various capacities in Houston, Texas, and in Singapore. Mr. Santos has a Master of Business Administration degree from Fordham University (1995), New York, and a Bachelor of Science degree in Management of Financial Institutions from De La Salle University (1989).

Daniel H. Valeriano, Jr., born June 1, 1949, Filipino, is Vice President for Technical Services of First Gen. He is currently the Vice Chairman of the Grid Management Committee, appointed by and under the supervision of the Energy Regulatory Commission. Mr. Valeriano has a Bachelor of Science degree in Electrical Engineering from the University of the Philippines (1971) and has earned credits for a Master of Science degree in Industrial Engineering from the University of the Philippines during the years 1976-1978. He is a registered electrical engineer.

Emmanuel P. Singson, born December 31, 1965, Filipino is Vice President for Finance and Investors Relations Officer of First Gen. He is primarily involved in the fund-raising activities of the First Gen group. Prior to his current post, Mr. Singson was connected with the Investment Banking group of Chase Manhattan Bank. Mr. Singson obtained his Bachelor of Science degree in Business Management from the Ateneo de Manila University.

Rachel R. Hernandez, born April 24, 1967, Filipino, is Assistant Corporate Secretary of First Gen, FPPC, and BPPC, and is Corporate Secretary of FG Bukidnon, FGRI, and FGLPC. Ms. Hernandez obtained her Bachelor of Laws degree from the University of the Philippines (1992) and is licensed to practice law in the Philippines and New York.

Significant Employees. No single person is expected to make a significant contribution to the business, since the company considers the collective efforts of all its employees as instrumental to the overall success of the corporation's performance.

Family Relationships. Of the above-mentioned directors and officers, the following are related within the fourth civil degree of consanguinity or affinity: Oscar M. Lopez is the father of Federico R. Lopez; Ernesto B. Pantangco is the cousin-in-law of Oscar M. Lopez; and the wives of Federico R. Lopez and Francis Giles B. Puno are sisters. Other than the foregoing, there are no family relationships either by consanguinity or affinity up to the fourth civil degree among directors, executive officers and nominees for election as directors.

Involvement in Certain Legal Proceedings. To the best of the corporation's knowledge, as of the date of this Annual Report, there has been no occurrence during the past five (5) years of any of the following events which are material to an evaluation of the ability or integrity of any director, nominee for election as director, executive officer, underwriter or control person of the company:

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

exchange or other organized trading market or self-regulatory organization, that any director, person nominated to become a director, executive officer, or control person has violated a securities or commodities law.

Item 10. Executive Compensation

Compensation. Certain officers of the company, including the top five members of senior management listed in the table below, are seconded from FPHC and some of the corporation's subsidiaries and affiliates, and receive their salaries from FPHC or the relevant investee company of the corporation, as the case may be. The following are the corporation's top five executive officers:

Name and Position	Year	Salaries	Bonuses/Other Income
Peter D. Garrucho, Jr., Vice Chairman and CEO			
Federico R. Lopez, President and COO			
Ernesto B. Pantangco, Senior Vice President			
Francis Giles B. Puno, Senior Vice President and CFO			
Richard B. Tantoco, Senior Vice President			
CEO and the four most highly compensated officers named above	2004	P69,971,301	P51,071,843
	2005	P68,248,344	P60,244,578
	2006 (estimate)	P81,215,529	P67,473,928
Aggregate compensation paid to all officers and directors as a group unnamed	2004	P87,650,701	P60,218,036
	2005	P94,379,568	P81,348,549
	2006 (estimate)	P111,367,890	P89,483,404

Standard Arrangements. The directors receive standard per diems of Php50,000 for attendance at each board meeting.

Employment Contracts, Termination of Employment, Change-in-Control Arrangements. There are no existing employment contracts with executive officers. There is also no arrangement for compensation to be received from the company in the event of a change of control of the corporation.

On April 4, 2005, the board of directors of First Gen approved a Retirement Plan providing a normal retirement benefit of two months' salary for every year of service to eligible officers and employees who are at least 50 years old and have rendered at 25 years of service, or to employees who are 60 years old with at least 10 years of service. The Retirement Plan also provides for payment of (i) an early retirement benefit of between 50% to 97.5% of the normal retirement benefit to eligible officers and employees who opt to retire at age 50 after rendering 10 years of service, or eligible officers and employees who have rendered 20 years of service if below 50 years old; (ii) a resignation benefit of between 25% to 47.5% to eligible officers and employees who have rendered from 10 to 19 years of service. In the event of death or disability, the Retirement Plan provides the eligible officer or employee the greater of one annual salary or his accrued retirement benefit. Finally, in the event of involuntary separation, the Retirement Plan provides an officer or employee who has rendered at least 10 years of service or, if otherwise, his separation pay.

Warrants and Options Outstanding: Repricing. Under the company's ESOP: (i) senior managers and executives of the company; (ii) senior managers and executives of companies of which more than 30.0% of the voting stock is effectively owned, directly or indirectly and legally or beneficially, by the corporation; (iii) senior managers and executives of such other companies in which the corporation owns shares as may be determined by the board of directors; and (iv) directors, officers or employees of FPHC and its affiliates; who are nominated and awarded as such, may acquire the

corporation's common shares. The shares subject to the ESOP include unissued common shares, any treasury common shares held by the corporation or issued common shares held or owned by FPHC or its affiliates, subject to the necessary corporate approval of FPHC or its affiliates. The aggregate number of common shares that may be subject to, and issued under, awards granted pursuant to the ESOP shall not at any time exceed 4% of the total issued and outstanding common shares.

Options under the ESOP vest within a five-year period but cannot be exercised prior to any IPO of the company's shares. If award is granted prior to such IPO, the purchase price is fixed in accordance with the plan, subject to adjustments in certain cases. If award is granted after an IPO of the corporation's shares, the purchase price is fixed at the option grant date at the average closing price of the corporation's common shares at the stock exchange for 20 market days prior to the grant, subject to discount, but in no way shall the purchase price be less than the par value. The terms of the plan include, among others, a one-year holding period from the date of the award of an option, a limit as to the number of shares an executive and employee may purchase, and settlement by payment in cash or check of the full amount of the price of the shares over which the option is exercised. In addition, the exercise of the options shall be subject to the following restrictions: (i) no option holder may exercise an option whether in whole or in part before the lapse of one year from its option grant date or before that portion of the option subject of the proposed exercise becomes vested in accordance with the vesting schedule applicable to such option; (ii) only those common shares representing a maximum of 50% of the total number of common shares covered by all options then outstanding may be issued within one year from the date of the IPO, the provisions of any award agreement to the contrary notwithstanding.

In July 2003, a total of 409,756 options were granted to certain officers and employees under the ESOP. By virtue of the common stock split and common stock dividend declared and approved by the First Gen board of directors and shareholders on April 4, 2005, the number of options and price per share granted to all officers and directors were automatically adjusted in accordance with the terms of the ESOP. Accordingly, the number of common shares reserved for the grantees has been adjusted to total 18,091,400 common shares. Options to acquire 75,875 common shares which had vested as of March 16, 2006 now cover options to acquire 3,035,000 common shares, and the exercise price of Php528.00 per share has been adjusted to Php13.20 per share.

As of the date of this annual report, no options have been exercised and, accordingly, no issuance or sale of shares has been made to grantees under the ESOP.

The following table sets out the persons to whom options have been granted pursuant to the ESOP and the number of shares relating to each such person as of March 16, 2006:

Name and Position	Date of Grant	Total Options Granted	Vested and Unexercised	Unvested	Exercise Price/Share	Market Price/Share
Peter D. Garrucho, Jr., Vice Chairman and CEO						
Federico R. Lopez, President and COO						
Ernesto B. Pantangco, Senior Vice President						
Francis Giles B. Puno, Senior Vice President and CFO						
Richard B. Tantoco, Senior Vice President						
Aggregate number of shares granted to the above-named officers	July 1, '03	6,167,720	1,233,544	4,934,176	Php13.20	High -Php42 Low-Php41 Close-Php42
Aggregate number of shares granted to all officers and directors as a group unnamed	July 1, '03	15,175,000	3,035,000	12,140,000	Php13.20	High -Php42 Low-Php41 Close-Php42

Item 11. Security Ownership of Certain Beneficial Owners and Management

The equity securities of the company consist of common and preferred shares, both of which have voting rights. As of March 16, 2006, the corporation knows of no one who is directly or indirectly the record or beneficial owner of more than 5% of the corporation's capital stock except as set forth below.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage to Class
Common	First Philippine Holdings Corporation ("FPHC") 4/F Benpres Building Exchange Road cor. Meralco Avenue Pasig City, stockholder	First Philippine Holdings Corporation is the record and beneficial owner of the shares indicated. Oscar M. Lopez has been appointed proxy of FPHC to represent it and vote its shares at the shareholders' meeting	Filipino	412,967,200	51.64%
Common	FGHC International Ltd. Ugland House, P.O. Box 309, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies, stockholder	FPHC is the beneficial owner of the shares indicated. ⁴	Cayman Islands	123,238,400	15.41%
Common	PCD Nominee Corp (Foreign)	Various		179,142,150	22.4%
Common	Others	Various	Various	84,358,250	10.55%

	Owner of more than 5% under PCD Nominee Corp.				
Common	Hong Kong and Shanghai Banking Corp Custody and Clearing Dept. 30/F Discovery Suites 25 ADB Ave., Ortigas Center, Pasig City	Various	(foreign)	97,290,216	12.17%

TOTAL COMMON 799,706,000 100%

TOTAL PAR VALUE AT ₱1.00 PER SHARE Php799,706,000.00

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Voting Preferred Shares	First Philippine Holdings Corporation, 4/F Benpres Bldg., Exchange Road Ortigas Center, Pasig, principal stockholder	First Philippine Holdings Corporation is the record and beneficial owner of the shares indicated. Oscar M. Lopez	Filipino	355,238,000	100.00%

⁴ FGHC International is a wholly-owned subsidiary of FPHC.

		has been appointed proxy of FPHC to represent it and vote its shares at the shareholders' meeting of First Gen			
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TOTAL VOTING PREFERRED	355,238,000	100.00%
TOTAL PAR VALUE AT Php0.50 PER SHARE	₱177,619,000	

Security Ownership of Management. Following is the security ownership of directors and executive officers as of March 16, 2006:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Class
Common	Oscar M. Lopez	220,040 –direct	Filipino	0.0275151%
Common	Peter D. Garrucho, Jr.	120,040 – direct	Filipino	0.0150105%
Common	Federico R. Lopez	106,440 –direct	Filipino	0.0133099%
Common	Elpidio Ibañez	20,040 – direct	Filipino	0.0025059%
Common	Tony Tan Caktiong	40 - direct	Filipino	0.0000050%
Common	Cezar P. Consing	40 – direct	Filipino	0.0000050%
Common	Francis Giles B. Puno	120,001 – direct	Filipino	0.0150056%
Common	Richard B. Tantoco	50,001 direct	Filipino	0.0062524%
Common	Ernesto B. Pantangco	50,000 direct	Filipino	0.0062523%
Common	Nestor H. Vasay	50,000 – direct	Filipino	0.0062523%
Common	Victor Emmanuel B. Santos, Jr.	40,000 – direct	Filipino	0.0050018%
Common	Daniel H. Valeriano, Jr.	42,500 – direct	Filipino	0.0053145%
Common	Rachel R. Hernandez	2,000 –direct	Filipino	0.0002501%
Common	Emmanuel P. Singson	20,000 –direct	Filipino	0.0025009%

As of March 16, 2006, the aggregate amount of common shares registered in the names of the directors and officers of the corporation is 841,142.

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

Changes in Control. There are no existing provisions in First Gen's amended articles of incorporation or amended by-laws which will delay, defer or in any manner prevent a change in control of the corporation. However, FPHC is the sole holder of the corporation's voting preferred shares. Under the corporation's amended articles of incorporation, holders of voting preferred shares are entitled to full voting rights. Further, the voting preferred shares can only be transferred to Philippine citizens or corporations at least 60% of the outstanding equity capital is beneficially owned by Philippine citizens and which, in either case, is not in competition with FPHC or any of its affiliates. The voting preferred shares constitute more than 30% of the company's outstanding capital stock. As a result, FPHC's combined ownership of the corporation's voting preferred shares and common shares will allow it to control the corporation even if its ownership of the common shares falls below 51%.

Item 12. Certain Relationships and Related Transactions

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

Related Party Transactions. In addition to the PPAs entered into by each of FGPC and FGP with Meralco, the corporation and its subsidiaries have also entered into other agreements with affiliates, its controlling shareholders, FPHC, and other members of the Lopez group of companies. Unless stated otherwise, as of March 16, 2006, the material transactions with related parties are as follows:

1. From time to time, advances to shareholders representing non-interest bearing US\$ and peso-denominated loans to meet working capital and investment requirements of such shareholders are made ahead of, and are offset against, dividends declared by the corporation's board of directors.
2. The corporation has a Management Contract to render management services to BPPC under certain terms and conditions, in consideration of the payment of management fees. The contract was renewed for the period January 2006 until the end of the cooperation period in 2010. Management fees totaled Php91 million, Php87 million, Php73 million in 2004, 2003 and 2002, respectively, and Php 91.68 million in 2005.
3. The company leases the premises on which its corporate offices are located from INAEC Development Corporation, a subsidiary of FPHC. The lease is for a term of five years and expires on July 31, 2007. The monthly rent for the premises is approximately Php1.3 million.
4. FGPC has a Transmission Line Maintenance Agreement with MIESCOR, a subsidiary of Meralco, dated September 8, 2000, as amended on July 30, 2004, for the maintenance of the 230 kV transmission line from the Santa Rita plant to the Calaca Substation in Batangas. This involves the payment of Php0.6 million per month as retainer fee, and Php2.3 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 the corporation outside the scope of the agreement is subject to mutual agreement between FGPC and MIESCOR.
5. The corporation manages and supervises the operations of FPIC, a subsidiary of FPHC which is engaged in the fuel supply business. The corporation does not receive a fee for the services it provides to FPIC.

First Gen considers each of its stockholders, subsidiaries and affiliates to be independent entities and believes that related party transactions with these entities have generally been as favorable to the corporation as similar transactions with third parties would have been. The significant transactions with related parties can likewise be found in the attached notes to the corporation's audited financial statements.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

First Gen's Manual on Corporate Governance (Manual) has been in effect since February 24, 2005 and was filed with the Securities and Exchange Commission on March 10, 2005.

First Gen believes that compliance with the principles of good corporate governance begins with the board of directors. It is the board's duty and responsibility to foster the long-term success of the company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibilities, which must be exercised in the best interest of the company, and in proper cases, its shareholders. The Manual states that the board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

Among the board's duties are to determine the company's purposes, its vision and mission, and strategies to carry out its objectives, ensure compliance with all relevant laws, regulations and codes of best business practices, adopt a system of internal checks and balances, and install a process of selection to ensure a mix of competent directors and officers.

On February 24, 2005, in compliance with the requirement of the SRC, the company's board of directors approved the adoption of a "fit and proper rule" for the selection of corporate directors and officers and undertook to allow the SEC to resolve conflicts arising out of the selection of independent directors.

As part of preliminary measures to ensure adherence to corporate principles and best practices, the board of directors on August 17, 2005 appointed Mr. Victor B. Santos, Jr., Vice President for Legal and Regulatory, as the company's Compliance Officer. Mr. Santos directly reports to the Chairman of the board of directors. He is tasked to, among others: (i) establish an evaluation system to determine and measure compliance with the Manual; (ii) appear before the SEC upon summons on matters relating to the Manual; (iii) submit a report to the Chairman every January 30th of the year, or at such time as may be required by the Chairman, on the extent of the company's compliance with the Manual for the preceding year; (iv) identify, monitor, and control compliance with corporate governance matters; and (v) recommend to the board of directors the review of the Manual.

The company likewise appointed Mr. Emmanuel P. Singson on March 13, 2006 as the company's Investor Relations Officer, with the primary duty of ensuring effective and efficient communication with the company's investors. He is also responsible for obtaining and processing feedback from investors regarding any relevant concerns.

There is currently a working procedure in place to properly evaluate company compliance with the Manual, including but not limited to submission of reports by the various departments to the board of directors during its regular or special meetings; conduct of regular meetings of the management committee, executive committee, as well as the different departments including the Regulatory group; development of risk management systems; and constant monitoring of legal and regulatory requirements. As the company was listed with the PSE only last February 2006, the company is working at institutionalizing such systems and processes to improve the level of compliance.

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits

Exhibit "A"	-	Management Report
Exhibit "B"	-	Audited Financial Statements for the Years Ended December 31, 2005 and 2004
Exhibit "C"	-	SRC Rule 68.1-M (Schedules)

(b) Reports on SEC Form 17-C

The company filed the following disclosures during the period June to December 2005:

July 27, 2005 Board of directors' (i) declaration of a special cash dividend in favor of holders of preferred redeemable shares; and (ii) authorization to redeem preferred redeemable shares at issue value.

August 22, 2005 Approval by the board of directors and stockholders of (i) amendments to the amended articles of incorporation and by-laws of the corporation; (ii) change in dividend policy; and (iii) steps for the capital structuring of the corporation.

Election of the following as members of the board of directors:

1. Oscar M. Lopez
2. Peter D. Garrucho Jr.
3. Federico R. Lopez
4. Elpidio L. Ibanez
5. Steve E. Psinakis
6. Richard B. Tantoco

7. Francis Giles B. Puno
8. Tony Tan Caktiong (Independent Director)
9. Cezar P. Consing (Independent Director)

Election of the following as officers of the corporation:

1. Oscar M. Lopez - Chairman
2. Peter D. Garrucho Jr. – Vice Chairman & CEO
3. Federico R. Lopez – President and COO
4. Ernesto B. Pantangco – Senior Vice President
5. Richard B. Tantoco – Senior Vice President
6. Francis Giles B. Puno – Senior Vice President & CFO
7. Daniel H. Valeriano – Vice President
8. Nestor H. Vasay – Vice President and Comptroller
9. Victor B. Santos Jr. – Vice President and Compliance Officer
10. Roderico V. Puno – Corporate Secretary
11. Rachel R. Hernandez – Asst. Corporate Secretary

Appointment of the members of the Nomination Committee, Audit Committee, Compensation and Remuneration Committee, and Bid Committee.

August 30, 2005	Execution of an agreement among the corporation and its shareholders FPHC, FGHC International Ltd., AIDEC FG Power Corp. Ltd., and Summit Global Management II B.V.
September 9, 2005	Filing of a Registration Statement with the SEC and an Application for listing with the PSE, for the registration and listing of the corporation's common shares. Status of the arbitration between FGPC and Siemens AG, Siemens Power Generation, and Siemens, Inc. in relation to the construction of the Santa Rita power plant. Clarification of news article on BPPC's real property tax case pending with the Court of Tax Appeals.
October 17, 2005	Meeting of the Audit Committee to discuss the corporation's preferred redeemable shares.
October 21, 2005	Resignation of Mr. Roderico V. Puno as Corporate Secretary.
October 24, 2005	Execution of a Memorandum of Understanding between the corporation and Marubeni Corporation.
December 1, 2005	Update on the Siemens arbitration.
December 5, 2005	Clarification of news article on the Gas Sale and Purchase Agreement disputes involving FGPC/FGP Corp. and the Malampaya consortium.
December 13, 2005	Receipt of a Pre-Effective Clearance from the SEC.
December 28, 2005	Approval by the SEC of the amended articles of incorporation of the corporation. Receipt of a Notice of Approval from the PSE, approving the corporation's application for the listing of its shares.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig, this 27TH day of April 2006.

FIRST GEN CORPORATION

Issuer

By:

(Sgd.)

Peter D. Garrucho, Jr.
Vice Chairman & Chief Executive Officer

(Sgd.)

Nestor H. Vasay
Vice President & Comptroller

(Sgd.)

Federico R. Lopez
President & Chief Operating Officer

(Sgd.)

Carmina Z. Ubaña
Principal Accounting Officer

(Sgd.)

Francis Giles B. Puno
Senior Vice President & Chief Financial Officer

(Sgd.)

Rachel R. Hernandez
Asst. Corporate Secretary

SUBSCRIBED AND SWORN to before me this 27th day of April 2006, affiants exhibiting to me their Community Tax Certificates as follows:

NAME	CTC NO.	DATE OF ISSUE	PLACE OF ISSUE
Peter D. Garrucho, Jr.	12600086	January 10, 2006	Quezon City
Federico R. Lopez	21857915	February 22, 2006	Pasig
Francis Giles B. Puno	21798389	January 16, 2006	Pasig
Nestor H. Vasay	21858026	February 22, 2006	Pasig

Carmina Z. Ubaña	21857919	February 22, 2006	Pasig
Rachel R. Hernandez	21802334	January 17, 2006	Pasig

(Sgd.)
Atty. Janina A. Bonoan
Notary Public

Doc. No. 325;
Page No. 66;
Book No. 1;
Series of 2006.