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SEC Registration Number

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(Company's Full Name)

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

Rachel R. Hernandez

(Contact Person)

449-6281

(Company Telephone Number)

1	2
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Month

3	1
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Day

SEC Form 17Q

FORM TYPE

2nd Wed of May

Month

Day

Fiscal Year

Annual Meeting

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

362

Total No. of Stockholders

Total Amount of Borrowings	
\$1,480,034	\$1,380,644
(in thousands)	(in thousands)

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2016**
2. Commission identification number **A1998-18260**
3. BIR Tax Identification No. **202-464-633-000**
4. Exact name of issuer as specified in its charter **FIRST GEN CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization **Philippines**
6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code
- 6th Floor, Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City 1604**
8. Issuer's telephone number, including area code **(632) 449-6400**

9. Former name, former address and former fiscal year, if changed since last report
- 3rd Floor, Benpres Building, Exchange Road cor. Meralco Avenue, Pasig City 1600**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of June 30, 2016)
Common Stock	3,660,943,557 shares
Bonds	None

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

Yes ☒ No ☐

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

The Company's common shares, as well as Series "F" and "G" preferred shares, are listed with the Philippine Stock Exchange, Inc. (PSE).

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐

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

Yes ☒ No ☐

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Attached to this report as *Annex “A”* is the Corporation’s unaudited interim condensed consolidated financial statements as of June 30, 2016 (with comparative audited figures as of December 31, 2015) and for the six-month periods ended June 30, 2016 and 2015.

The unaudited interim condensed consolidated financial statements for the six months ended June 30, 2016 have been prepared in accordance with Philippine Financial Reporting Standards (“PFRS”) specific to Philippine Accounting Standard 34, Interim Financial Reporting and hence do not include all of the information required in the December 31, 2016 annual audited consolidated financial statements.

Item 2. Management's Discussion and Analysis (MD&A) of Financial Condition and Results of Operations.

In the following discussion and analysis of our financial condition and results of operations, unless the context indicates or otherwise requires, any references to “we”, “us”, “our”, “Company”, “First Gen Group” means First Gen Corporation and its consolidated subsidiaries and references to “First Gen” pertains to the Parent Company First Gen Corporation, not including its subsidiaries (please see Note 2 – Summary of Significant Accounting Policies to the accompanying unaudited interim condensed consolidated financial statements for the list of these subsidiaries, including a description of their respective principal business activities and First Gen’s direct and/or indirect equity interest).

The following discussion and analysis of the Company’s consolidated financial performance for the six months ended June 30, 2016 should be read in conjunction with its unaudited interim condensed consolidated financial statements and the accompanying notes as at June 30, 2016 and the audited consolidated financial statements as at December 31, 2015. The primary objective of this MD&A is to help the readers understand the dynamics of the Company’s business and the key factors underlying its financial results. Hence, our MD&A is comprised of a discussion of its core business, and analysis of the results of operations for each business segment. This section also focuses on key statistics from the unaudited consolidated financial statements and pertains to known risks and uncertainties relating to the power industry in the Philippines where we operate up to the stated reporting period.

This report also contains information that may constitute “forward-looking statements.” Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “plan,” “foresee,” “will” and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future - including statements relating to revenue growth and statements expressing general views about future operating results - are forward-looking statements. Such forward-looking statements are made based on management’s current expectations or beliefs as well as assumptions made by, and information currently available to, management. First Gen does not make express or implied representations or warranties as to the accuracy and completeness of the information contained herein and shall not accept any responsibility or liability (including any third party liability) for any loss or damage, whether or not arising from any error or omission in compiling such information or as a result of any party’s reliance or use of such information. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company’s historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Risk Factors Affecting the Company’s Results of Operations and elsewhere in this report and in our Annual Report on Form 17-A for the year ended December 31, 2015, and those described from time to time in our future reports filed with the Philippine Securities and Exchange Commission (SEC).

The financial information appearing in this report and in the accompanying unaudited interim condensed consolidated financial statements is stated in United States dollars. All references to “U.S. dollars,” “US\$” or “dollars” are to the lawful currency of the United States; all references to “Philippine pesos,” “Php” or “pesos” are to the lawful currency of the Philippines; and all references to “Euro” or “€” are to the lawful currency of the European Union. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited interim condensed consolidated financial statements were made based on the exchange rate quoted through the Philippine Dealing System as at June 30, 2016.

Additional information about the Company, including annual and quarterly reports, can be found on our corporate website www.firstgen.com.ph.

BUSINESS OVERVIEW

Description of the Nature and Scope of the Business including Products or Services

First Gen Corporation (the Company or First Gen) is engaged in the business of power generation through the following operating companies:

- (i) First Gas Power Corporation (FGPC), which operates the 1,000 MW Santa Rita natural gas-fired power plant;
- (ii) FGP Corp. (FGP), which operates the 500 MW San Lorenzo natural gas-fired power plant;
- (iii) FG Bukidnon Power Corporation (FG Bukidnon), which operates the 1.6 MW FG Bukidnon mini-hydroelectric power plant;
- (iv) Energy Development Corporation (EDC), with an aggregate installed capacity of approximately 1,326 MW of geothermal, wind and solar power; and,
- (v) First Gen Hydro Power Corporation (FG Hydro), which operates the 132 MW Pantabangan-Masiway hydroelectric power plants.

First Gen's indirect 40.0% economic interest in EDC is held through Prime Terracota Holdings Corporation (Prime Terracota) and Red Vulcan Holdings Corporation (Red Vulcan). FGEN has a 40.0% direct economic interest in FG Hydro. As of June 30, 2016, the Company also directly and indirectly owns 1.98 billion common shares in EDC, of which 986.34 million common shares are held through its wholly-owned subsidiary, Northern Terracotta Power Corporation (Northern Terracotta). The 1.98 billion common shares are equivalent to a 10.6% economic interest in EDC.

The following discussion focuses on the results of operations of First Gen and its power generating companies. As of June 30, 2016, First Gen's ownership interests in these operating companies are indirectly held through intermediate holding companies, with the exception of FG Hydro where First Gen directly holds a 40.0% economic interest as stated above.

- First Gas Holdings Corporation (FGHC) was incorporated on February 3, 1995 as a holding company for the development of natural gas-fired power plants and other non-power gas related businesses. The company was 60.0% owned by First Gen and 40.0% owned by Dualcore Holdings Inc. (Dualcore) [formerly BG Consolidated Holdings (Philippines), Inc. (BG)] prior to the acquisition of the non-controlling stake of BG in the natural gas projects. As a result of the transaction, First Gen now effectively owns 100.0% of FGHC. FGHC wholly-owns FGPC, the project company of the 1,000 MW Santa Rita power plant.
 - FGPC is the project company of the Santa Rita power plant. The company was incorporated on November 24, 1994 to develop the 1,000 MW combined-cycle natural gas-fired power plant located in Santa Rita, Batangas City. The company started full commercial operations on August 17, 2000. FGPC generates electricity for Meralco under a 25-year Power Purchase Agreement (PPA). In order to fulfill its responsibility to operate and maintain the power plant, FGPC has an existing agreement with Siemens Power Operations, Inc. (SPOI), a 100.0% subsidiary of Siemens AG, to act as the operator under an Operations & Maintenance Agreement (O&M Agreement).
- Unified Holdings Corporation (Unified) was incorporated on March 30, 1999 as the holding company of First Gen's 60.0% equity share in FGP, the project company of the 500 MW San Lorenzo Power Plant. First Gen owns 100.0% of Unified.
 - FGP is the project company of the San Lorenzo Power Plant. The company was established on July 23, 1997 to develop a 500 MW combined-cycle natural gas-fired power plant in Santa Rita, Batangas City, adjacent to the 1,000 MW Santa Rita Power Plant. The company started full commercial operations on October 1, 2002. It is likewise operated by SPOI under a separate O&M Agreement and generates electricity under a separate 25-year PPA with Meralco.
- On May 30, 2012, the Company, through its wholly-owned subsidiary Blue Vulcan Holdings Corporation (Blue Vulcan), successfully acquired from BG Asia Pacific Holdings Pte. Limited, a member of the BG Group, the entire outstanding capital stock of Bluespark Management Limited (Bluespark) [formerly Lisbon Star Management Limited]. Bluespark's wholly owned subsidiaries namely, Goldsilk Holdings Corp. (Goldsilk) [formerly Lisbon Star Philippines Holdings, Inc.], Dualcore, and Onecore Holdings Inc. (Onecore) [formerly BG Philippines Holdings, Inc.] owned 40.0% of the outstanding capital stock of FGHC, FGP, and First NatGas Power Corporation (FNPC) (collectively referred to as the "First Gas Group"). Following the acquisition of Bluespark, the Company now beneficially owns 100.0% of the First Gas Group through its intermediate holding companies.

- First Gen Renewables, Inc. (FGRI), formerly known as First Philippine Energy Corporation, was established on November 29, 1978. It is tasked to develop prospects in the renewable energy market. On June 17, 2014, the SEC approved the Plan and Articles of Merger between FGRI and Bluespark that was executed on April 29, 2014 following the majority vote of the board of directors and by the vote of the stockholders owning and representing more than two-thirds of the outstanding capital stock of constituent corporations on April 24, 2014. As a result of the merger, FGRI became the surviving corporation and is now 99.1% effectively-owned by Blue Vulcan. FGRI now effectively owns a 40.0% voting and economic interest in Santa Rita and San Lorenzo power plants. Prior to the merger, FGRI was a wholly-owned subsidiary of First Gen.
 - FG Bukidnon, a wholly-owned subsidiary of FGRI, was incorporated on February 9, 2005. Upon conveyance of First Gen in October 2005, FG Bukidnon took over the operations and maintenance of the FG Bukidnon Hydroelectric power plant. The run-of-river plant consists of two 800-kW turbine generators that use water from the Agusan River to generate electricity. It is connected to the local distribution grid of the Cagayan Electric Power & Light Company, Inc. via the National Grid Corporation of the Philippines (NGCP) line.
- Prime Terracota was incorporated on October 17, 2007 as the holding company of Red Vulcan. Red Vulcan was incorporated on October 5, 2007 as the holding company for First Gen's 60.0% voting and 40.0% economic stake in EDC.

On November 22, 2007, First Gen, through Red Vulcan, was declared the winning bidder for the Philippine National Oil Company and EDC Retirement Fund's remaining shares in EDC. Such common shares represented a 40.0% economic interest in EDC while the combined common and preferred shares represented 60.0% of the voting rights in EDC. As of June 30, 2016, EDC is the Philippines' largest producer of geothermal energy, operating 12 geothermal power plants in the four geothermal service contract areas where it is principally involved in: (i) the production of geothermal steam for sale to subsidiaries; and, (ii) the generation and sale of electricity through EDC-owned geothermal power plants to National Power Corporation (NPC) and various offtakers. Likewise, EDC owns the 150 MW Burgos Wind Power Plant (Burgos Wind) and the 6.82 MW Burgos Solar Project (Burgos Solar) both situated in Burgos, Ilocos Norte. The Burgos Wind Project achieved commercial operations in November 2014, while the two-phased Burgos Solar Project achieved commercial operations in March 2015 and January 2016, respectively.

Prime Terracota is the effective 60.0% voting and 40.0% economic owner of EDC through its subsidiary Red Vulcan. With the issuance of Class "B" voting preferred shares by Prime Terracota to the Employees' Retirement Plan of Lopez Inc. (Lopez Inc. Retirement Fund or LIRF) and Quialex Realty Corporation (QRC) on May 12, 2009, First Gen's voting interest in Prime Terracota was reduced to 45.0%, with the balance taken up by LIRF (40.0%) and QRC (15.0%). This transaction triggered the deconsolidation of the Prime Terracota Group in First Gen's consolidated financial statements effective from May 2009 until December 2012. However, the adoption of PFRS 10 effective January 1, 2013 required management to reassess the control over Prime Terracota based on the new definition of control and the explicit guidance in PFRS 10. The reassessment caused the retrospective consolidation of Prime Terracota Group to First Gen effective January 1, 2013.

On May 20, 2014, First Gen purchased 31.0 million Class "B" voting preferred shares owned by LIRF in Prime Terracota. As a result of this transaction, First Gen's voting interest in Prime Terracota increased from 45.0% to 73.4% and First Gen's effective voting interest in EDC likewise increased from 33.6% to 50.7%. On June 18, 2015, the Company purchased the remaining (i) 13.0 million Class "B" voting preferred shares owned by LIRF; and (ii) 16.0 million Class "B" voting preferred shares owned by QRC. This effectively increased the Company's voting stake in Prime Terracota from 73.4% to 100.0%, which effectively raised the Company's voting interest in EDC to 67.1% as of June 30, 2016.

- FG Hydro was incorporated on March 13, 2006 as a wholly-owned subsidiary of First Gen. On September 8, 2006, FG Hydro emerged as the winning bidder for the then 100 MW Pantabangan and the 12 MW Masiway Hydroelectric Power Plants (PMHEPP). The then 112 MW PMHEPP was transferred to FG Hydro on November 18, 2006, representing the first major generating asset of NPC to be successfully transferred to the private sector. On October 15, 2008, First Gen's Board of Directors approved the sale of 60.0% of FG Hydro to EDC and the divestment was completed in November 2008. As a result of the divestment, First Gen's direct voting and economic interests in FG Hydro were reduced to 40.0%. Moreover, the completion of the rehabilitation and upgrade project of Pantabangan hydroelectric power plant's Units 1 and 2 in 2010 increased the power generation capacity of PMHEPP by 20 MW to 132 MW. FG Hydro likewise rehabilitated the Masiway plant to address equipment obsolescence specifically on the excitation, protection and generator systems as well as the main step-up transformer. The plant resumed operations in early December 2015 and formal takeover is expected to take place in November 2016 upon completion of the punch list items.

- AlliedGen Power Corp. (AGPC) was incorporated and registered with the SEC on February 14, 2005. AGPC wholly-owns FNPC, the project company of the 414 MW San Gabriel natural gas-fired power plant (San Gabriel). AGPC is a wholly-owned subsidiary of First Gen.
 - FNPC is the project company of the 414 MW San Gabriel natural gas-fired power plant, adjacent to the existing Santa Rita and San Lorenzo power plants in Santa Rita, Batangas City. The San Gabriel project will serve the mid-merit and, potentially, the base load requirements of the Luzon Grid. It is expected to be in commercial operations by the third quarter of 2016. As of June 30, 2016, the construction of the San Gabriel plant is substantially complete and the plant is midway through its testing and commissioning period.
- Prime Meridian Powergen Corporation (PMPC) was incorporated and registered with the SEC on August 8, 2011. The company is a wholly-owned subsidiary of First Gen. PMPC is the operating company of the 97 MW Avion open-cycle natural gas-fired power plant (Avion) that is likewise located adjacent to the existing natural gas-fired power plants in Batangas City. The Avion Plant is using General Electric's LM6000 PC Sprint aero-derivative gas turbines and has the capability to burn natural gas or diesel. As of June 30, 2016, the plant is undergoing testing and commissioning, and it has been exporting power to the grid since April 2016. It is expected to be in commercial operations by 2016.
- First Gen Energy Solutions, Inc. (FGES) was incorporated and registered with the SEC on November 24, 2006. As a wholly-owned subsidiary of First Gen, FGES markets and sells electricity generated by First Gen and EDC to address the power requirements of contestable customers. In addition, it provides value-added services relevant to its core business. FGES holds a Retail Electricity Supplier (RES) license effective for a period of five years from May 2016 until May 2021. With the commencement of the Retail Competition and Open Access, FGES' RES business has a total contracted demand of 18.3 MW from four contestable customers as of June 30, 2016.

Principal Products or Services

First Gen and its subsidiaries are primarily involved in the power generation business. It owns power plants which utilizes natural gas, geothermal, wind, hydro and solar power. The electricity generated is primarily sold to Meralco, NPC, electric cooperatives, privately-owned distribution utilities (DUs), large industrial clients, and NGCP, pursuant to long-term PPAs, Power Supply Contracts (PSCs), Power Supply Agreement (PSAs), Wholesale Electricity Spot Market (WESM), Ancillary Services Procurement Agreement (ASPA), and the Feed-In-Tariff (FiT).

The following is a summary of First Gen's products/services and their markets:

Company	Principal products/services	Market	Effective Contribution to Consolidated Revenues* of First Gen
FGPC	- Power generation	MERALCO	US\$289.0 million
FGP	- Power generation	MERALCO	US\$152.9 million
FG Bukidnon	- Power generation	CEPALCO	US\$0.2 million (or ₱9.5 million)
FG Hydro	- Power generation	WESM / NGCP/ various cooperatives	US\$32.7 million (or ₱1,537.2 million)
EDC	EDC holds service contracts with the Department of Energy (DOE) corresponding to 14 geothermal contract areas EDC, through its subsidiary, EBWPC, operates the 150 MW wind project in Burgos, Ilocos Norte. EDC also owns and operates the 6.82 MW Burgos Solar power plant.	NPC (for power generation & steam sales), WESM, NGCP, electric cooperatives and industrial customers pursuant to the PPAs and PSAs	US\$328.9 million**
FGES	- Retail energy supply	Contestable customers [i.e. Alturas Group of Companies (AGC), Taiheiy Cement Philippines Inc. (TCPI), RFM Corporation, and Central Luzon State University (CLSU)***]	US\$0.6 million

** Pertains to revenues from sale of electricity only*

*** Pertains to EDC's consolidated revenues from sale of electricity, excluding FG Hydro*

**** Contract with CLSU took effect on June 26, 2016.*

Note: The Philippine Peso balances of FG Bukidnon, FG Hydro and EDC were translated to U.S. Dollar using the weighted average rate of ₱47.028: US\$1.00 for the period ended June 30, 2016.

New Product / Service

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

On January 17, 2016, EDC has successfully commissioned its 2.66 MW Burgos Solar Project Phase 2, which is inside the same concession area as EDC Burgos Wind Power Corporation (EBWPC's) wind farm. The project is geographically situated in Barangay Saoit, Burgos Ilocos Norte.

On March 1, 2016, the Energy Regulatory Commission (ERC) issued to EDC the Certificate of Compliance (COC) for the Burgos Solar Power Plant Phase 2. The COC specifies that the project, having a total capacity of 2.66 MW is entitled to the Feed-In Tariff (FIT) rate of ₱8.69 per kWh, subject to adjustments as may be approved by the ERC, from January 19, 2016 to January 18, 2036.

During the period, the 414 MW San Gabriel natural gas-fired power plant and the 97 MW Avion power plant are midway through its testing and commissioning period. Target commercial operations for the new natural gas plants is by third quarter of 2016.

Competition

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

The successful privatization of NPC assets and NPC-IPP contracts in Luzon and Visayas, coupled with the integration of the Luzon and Visayas grids under the WESM, and the initial commercial operations of the Retail Competition and Open Access (RCOA) in June 2013, introduced new players and opened competition in the power industry. Multinationals that currently operate in the Philippines and could potentially compete against First Gen Group include KEPCO Power Corporation, CalEnergy International Services, Inc., Marubeni Energy Corporation, and AES Corporation. Aboitiz group and San Miguel group are the Company's two closest competitors. For wind power, EDC's closest competitor is North Luzon Renewable Energy Corporation, which operates the Caparispisan Wind Farm in Pagudpud, Ilocos Norte in addition to the following: Alterenergy Philippines Holdings Corporation, Petrowind Energy, Inc., Trans-Asia Renewable Energy Corp., and Northwind Power Development Corporation.

The performance of the Philippine economy and the historical high returns of power projects in the country have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects in the Philippines. Accordingly, competition for and from new power projects has increased in line with the long-term economic growth in the Philippines. Moving forward, the First Gen Group continues to face competition both in the development of new power generation facilities and the acquisition of existing power plants (if there are any), as well as in securing financing for these capital-intensive projects.

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

Raw Materials and Suppliers

Company	Sources of raw materials	Supplier of raw materials
FGPC/FGP	- natural gas/ liquid fuel	Malampaya consortium composed of Shell Philippine Exploration, B.V., Chevron Malampaya, LLC and PNOC Exploration Corporation
FG Bukidnon	- water	The plant is a run-of-river facility
FG Hydro	- water	Water release generally determined by NIA
EDC	- steam	Developed by EDC by virtue of Presidential Decree (P.D.) No. 1442. However, as stated above, the Geothermal Service Contracts (GSCs) of EDC (previously governed by P.D. No. 1442) were replaced by Geothermal Renewable Energy Service Contracts (GRESs) effective October 23, 2009.
	- solar	EDC operates the 6.82 MW Burgos Solar Power Plant, which is located within the vicinity of EBWPC, using solar energy.
EBWPC	- wind	Established and operated by EDC through its subsidiary EBWPC under DOE Certificate of Registration No. WESC 2009-09-004. The wind farm consists of 50 wind turbine generator units of the Class 1 V90-3.0 MW wind turbine generator to be supplied by Vestas Wind Systems.

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

Meralco is FGPC's and FGP's sole offtaker via 25-year PPA's, while close to 35.3% of EDC's revenues from sale of electricity are derived from existing long-term PPAs with NPC.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

As at June 30, 2016 and December 31, 2015

And For The Six Months Ended June 30, 2016 and 2015

(Amounts in U.S. Dollars and in Thousands, except for ratios, Plant Capacity, and % change)

Selected Financial Data

(Amounts in U.S. Dollar and in thousands)

	30-Jun-16	30-Jun-15	Change	YoY %
	(Unaudited)			
Revenues from sale of electricity	\$804,311	\$965,246	(\$160,935)	-16.7%
Operating income	\$258,129	\$254,138	\$3,991	1.6%
Consolidated net income	\$161,827	\$143,806	\$18,021	12.5%
Net income attributable to equity holders of the Parent Company	\$112,940	\$95,270	\$17,670	18.5%

	30-Jun-16	31-Dec-15	Change	YoY %
	(Unaudited)	(Audited)		
Total assets	\$5,537,154	\$5,518,687	\$18,467	0.3%
Long-term debt (including current portion)	\$2,860,678	\$2,962,799	(\$102,121)	-3.4%

Key Performance Indicators

	30-Jun-16	30-Jun-15
EBITDA ⁽¹⁾	\$385,547	\$368,342
EPS ⁽²⁾	\$0.027	\$0.021
RNI ⁽³⁾	\$87,557	\$87,910
FCF ⁽⁴⁾	\$204,796	89,664
Plant Capacity ⁽⁵⁾	3,470 MW	2,957 MW

(1) Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA). The Company computes EBITDA as earnings before net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts.

(2) Earnings per Share (EPS). The Company computes EPS as attributable net income minus preferred dividend, and then the difference is divided by weighted average common shares.

(3) Recurring Net Income (RNI.) The Company computes RNI as net income subtracted by non-recurring items, such as proceeds from liquidated damages, insurance claims, input VAT claims written-off, one-time gains and losses, movements in deferred income taxes, unrealized foreign exchange differences, and MTM gains (loss) on derivative transactions.

(4) Free Cash Flows (FCF). The Company computes FCF as the sum of movements in net cash flow from operations cash, net cash flow from investing, and effects of exchange rate.

(5) Plant Capacity: The Company computes the Plant Capacity in total consolidated capacity in megawatts (MW).

- EBITDA increased for the first half of 2016 due to higher contributions from FNPC as it received liquidated damages caused by the delay of its contractor and from FGPC, FGP, and FG Hydro due to higher plant dispatch and lower operating expenses, though partially offset by lower contributions from FGP due to the absence of insurance claims proceeds in 2016. This increase was partially offset as well by lower contributions from BacMan and Nasulo, though partially offset by higher contributions from Tongonan, Palinpinon, and Burgos Wind. The increase in net income was likewise partially offset by lower insurance claims proceeds by EDC.
- EPS increased for the first half of 2016 due to higher attributable net income to equity holders of the company due to the aforementioned causes in EBITDA. The increase was partially offset by the Parent Company's higher interest expense arising from the \$200 million term loan facility drawn in 2015.
- RNI was flat. The higher RNI contributions of FGPC and FG Hydro due to higher dispatch and of PMPC due to net commissioning income were offset by the lower RNI of FGP and EDC due to higher operating expenses, as well as the higher interest expenses incurred by First Gen.
- FCF increased mainly because of lower capital expenditure increases in the first half of 2016 as most of the construction works of San Gabriel and Avion occurred in 2015.
- Plant Capacity increased because of the additions in the first half of 2016 of the 414 MW San Gabriel and the 97 MW Avion plants, which are both in their commissioning phases. This was supplemented by the addition of the 2.66 MW Burgos Solar 2 plant, which started commercial operations during the first quarter of 2016.

Review of 1st half 2016 operations vs. 1st half 2015 operations

The First Gen Group generated a consolidated net income of \$161.8 million in the first six months of 2016, 12.5% higher than the \$143.8 million posted in the first six months of 2015, and net income attributable to the equity holders of the Parent Company is \$112.9 million in the first half of 2016, 18.5% higher than the \$95.3 million posted in the first half of 2015. Consolidated revenues from sale of electricity reached \$804.3 million, 16.7% lower than the \$965.2 million posted in the same period last year.

The net income attributable to the Parent Company increased by \$17.6 million, or 18.5% to \$112.9 million for the first half of 2016, compared to \$95.3 million that was recognized in the first half of 2015. The increase in attributable net income was mainly due to the movements in the contributions of the following subsidiaries:

- An increase in net income contribution of FNPC by \$21.3 million to \$20.4 million in the first half of 2016 due to its receipt of liquidated damages from its contractor, compared to a \$0.9 million net loss contribution in the first half of 2015 as the plant was in the middle of construction then;
- Higher net income contribution of FG Hydro by \$3.6 million, or 47.6% to \$11.2 million in the first half of 2016 compared to \$7.6 million in the first half of 2015 due to higher plant dispatch, supplemented by lower G&A expenses, as FG Hydro incurred less professional fees in 2016 and posted lower interest expenses; and,
- FGPC's higher net income contribution by \$1.8 million, or 5.0%, mainly due to FGPC's higher dispatch, lower G&A expenses, taxes, as well as lower interest expenses.

The above items were partially offset by an \$8.0 million, or 26.2%, decrease in net income contribution from FGP to \$22.5 million in the first half of 2016 from \$30.5 million in the first half of 2015 mainly due to the absence of the \$8.5 million insurance claims proceeds in 2016. This was supplemented by a \$1.0 million, or 2.2% decrease in net income contribution from EDC and its subsidiaries to \$46.4 million in the first half of 2016 from \$47.4 million in the first half of 2015 mainly as a result of lower contributions from BacMan and Nasulo, though partially offset by higher contributions from Tongonan, Palinpinon, and Burgos Wind. This decrease was accompanied by lower insurance claims booked by EDC. The increase in net income was likewise partially offset by the Parent Company's higher interest expense arising from the \$200 million term loan facility drawn in September 2015.

FIRST GEN MATERIAL CHANGES IN FINANCIAL CONDITION
(June 30, 2016 vs. June 30, 2015)

CONSOLIDATED STATEMENTS OF INCOME

Horizontal and Vertical Analyses of Material Changes for the six-month periods ended June 30, 2016 and 2015

			HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	Jun-16	Jun-15	2016 vs. 2015	2016 vs. 2015	Jun-16	Jun-15
Revenues from sale of electricity	\$804,311	\$965,246	(\$160,935)	-16.7%	100.0%	100.0%
TOTAL REVENUES	804,311	965,246	(160,935)	-16.7%	100.0%	100.0%
OPERATING EXPENSES						
Costs of sale of electricity	(453,713)	(602,614)	148,901	-24.7%	-56.4%	-62.4%
General and administrative expenses	(92,469)	(108,494)	16,025	-14.8%	-11.5%	-11.2%
Sub-total	(546,182)	(711,108)	164,926	-23.2%	-67.9%	-73.7%
FINANCIAL INCOME (EXPENSE)						
Interest income	4,533	4,953	(420)	-8.5%	0.6%	0.5%
Interest expense and financing charges	(88,676)	(92,435)	3,759	-4.1%	-11.0%	-9.6%
Sub-total	(84,143)	(87,482)	3,339	-3.8%	-10.5%	-9.1%
OTHER INCOME (CHARGES)						
Foreign exchange loss – net	(379)	(5,585)	5,206	-93.2%	0.0%	-0.6%
Mark-to-market gain on derivatives – net	1,104	-	1,104	100.0%	0.1%	0.0%
Mark-to-market gain on financial assets at FVPL – net	1,012	9	1,003	11144.4%	0.1%	0.0%
Proceeds from insurance claims	6,231	25,401	(19,170)	-75.5%	0.8%	2.6%
Income from liquidated damages from contractors	26,636	-	26,636	100.0%	3.3%	0.0%
Others – net	755	(2,629)	3,384	128.7%	0.1%	-0.3%
Sub-total	35,359	17,196	18,163	105.6%	4.4%	1.8%
INCOME BEFORE INCOME TAX	209,345	183,852	25,493	13.9%	26.0%	19.0%
Provision for (benefit from) Income Tax						
Current	48,875	39,284	9,591	24.4%	6.1%	4.1%
Deferred	(1,357)	762	(2,119)	-278.1%	-0.2%	0.1%
	47,518	40,046	7,472	18.7%	5.9%	4.1%
NET INCOME	\$161,827	\$143,806	\$18,021	12.5%	20.1%	14.9%
Net income attributable to:						
Equity holders of the Parent Company	\$112,940	\$95,270	\$17,670	18.5%	14.0%	9.9%
Non-controlling Interests	\$48,887	\$48,536	\$351	0.7%	6.1%	5.0%

Revenues from sale of electricity

The following table shows the composition of First Gen Group's consolidated revenues by platform for the six months ended June 30, 2016 and 2015:

Revenue Mix	30-Jun-16	%	30-Jun-15	%	Changes	%
Natural gas	\$441,965	54.9%	\$587,664	60.9%	(\$145,699)	-24.8%
Geothermal*	328,915	40.9%	349,871	36.2%	(20,956)	-6.0%
Hydro	32,891	4.1%	27,469	2.8%	5,422	20.3%
Others	540	0.1%	242	0.0%	298	123.1%
	\$804,311	100.0%	\$965,246	100.0%	(\$160,935)	-16.7%

*The geothermal portfolio includes wind and solar.

Revenues for the first half of 2016 decreased by \$160.9 million, or 16.7%, to \$804.3 million compared to \$965.2 million for the first half of 2015. The decrease was due to the movements per platform as explained in detail below:

Natural Gas

The decline in revenues was attributable to a \$145.7 million decrease in revenues from the Santa Rita and San Lorenzo gas plants during the period to \$442.0 million in the first half of 2016 from \$587.7 million in the first half of 2015. The decrease in fuel revenues was a result of lower gas prices (an average of \$6.6/MMBtu in the first half of 2016 compared

to an average of \$9.9/MMBtu in the first half of 2015), partially offset by the higher dispatch of the gas plants (a combined average net capacity factor of 83.9% in the first half of 2016 as compared to 79.7% in the same period of 2015), which buoyed revenues from the variable O&M charges.

Geothermal/Wind/Solar (“GWS”)

The decline was supplemented by a \$21.0 million drop in revenues from the GWS platform, or a 6.0% decrease in EDC’s consolidated revenues to \$329.0 million in the first half of 2016 from \$350.0 million in the first half of 2015. This was due to a decrease in revenue contributions from BacMan and Nasulo as average spot market prices declined, though partially offset by higher revenue contributions from Tongonan, Palinpinon, and Burgos Wind due to the higher volume of sales.

Hydro

The declines in revenue contributions of the natural gas plants and the geothermal plants were offset by higher revenue contributions from the Hydro platform which increased by \$5.4 million, or 19.7% to \$32.9 million in the first half of 2016 from \$27.5 million in the first half of 2015 due to FG Hydro’s increase in ancillary service revenues and slightly higher dispatch but partially offset by lower average spot market prices. The increase in Hydro contributions was partially offset by the lower revenues of FG Bukidnon as a result of lower water levels and plant maintenance.

Others

Other income increased by a \$0.3 million brought about by higher revenue contributions of FGES following the addition of a new client.

Costs of sale of electricity

The details of the Group’s consolidated costs and expenses for the six months ended June 30, 2016 and 2015 are summarized in the following table:

<i>Costs of sale of electricity</i>	30-Jun-16	%	30-Jun-15	%	Changes	%
Fuel	\$265,678	58.6%	\$406,044	67.4%	(\$140,366)	-34.6%
Depreciation and amortization	89,706	19.8%	87,715	14.6%	1,991	2.3%
Power plant operations and maintenance	76,401	16.8%	89,438	14.8%	(13,037)	-14.6%
Others	21,928	4.8%	19,417	3.2%	2,511	12.9%
	\$453,713	100.0%	\$602,614	100.0%	(\$148,901)	-24.7%

<i>Costs of sale of electricity</i>	30-Jun-16	%	30-Jun-15	%	Changes	%
Natural gas	\$312,370	68.9%	\$452,772	75.1%	(\$140,402)	-31.0%
Geothermal*	134,059	29.5%	142,768	23.7%	(8,709)	-6.1%
Hydro	6,804	1.5%	7,073	1.2%	(269)	-3.8%
Others	480	0.1%	1	0.0%	479	47,900.0%
	\$453,713	100.0%	\$602,614	100.0%	(\$148,901)	-24.7%

**The geothermal portfolio includes wind and solar.*

The costs of sale of electricity for the period ended June 30, 2016 decreased by \$148.9 million, or 24.7%, to \$453.7 million in the first half of 2016 as compared to \$602.6 million for the first half of 2015. The decrease was due to the movements per platform as explained in detail below:

Natural Gas

The decline in the costs of sale of electricity was mainly attributable a \$140.4 million decrease in costs from the Santa Rita and San Lorenzo gas plants during the period to \$312.4 million in the first half of 2016 from \$452.8 million in the first half of 2015. This was mainly caused by the decrease in fuel costs for the period by \$140.4 million, or 34.6%, from \$406.0 million in the first half of 2015 to \$265.7 million in the first half of 2016 as a result of lower gas prices (an average of \$6.6/MMBtu in the first half of 2016 compared to an average of \$9.9/MMBtu in the first half of 2015). The effect of the decrease in average gas prices was partially offset by the higher dispatch of the gas plants (a combined average net capacity factor of 83.9% in the first half of 2016 as compared to 79.7% in the first half of 2015).

The decrease in the fuel charges was partially offset by higher O&M expense primarily due to the appreciation of the Euro vis-à-vis the US Dollar supplemented by a higher chargeable net electrical output (NEO) as result of higher dispatch of Santa Rita and San Lorenzo for the period. FGPC also paid higher net NDC bonus paid by FGPC to Siemens Power Operations, Inc. (SPO) as the actual NDC value of the Santa Rita plant for the period was higher than the guaranteed NDC value. These O&M expenses are denominated in Philippine Peso, U.S. Dollars, and Euro.

Geothermal/Wind/Solar (“GWS”)

The costs of sale of electricity from the GWS platform decreased by \$8.7 million, or 6.1%, to \$134.1 million in the first half of 2016 from \$142.8 million in the first half of 2015. This was due to lower purchased services and utilities for its BacMan and Leyte operations attributable to the rationalization of drilling activities, as well as early phases of typhoon rehabilitation expenses, but partially offset by higher depreciation expenses of the BacMan and Leyte plants due to additional capitalized well costs and Burgos plant’s additional capitalized transmission line costs.

Hydro

The Hydro platform’s costs of sale of electricity posted a slight decline of \$0.3 million during the period to \$6.8 million in the first half of 2016 from \$7.1 million in the first half of 2015. This was due to lower depreciation and amortization of the plant brought about by the retirement of assets replaced during the rehabilitation of the Masiway plant, partially offset by its higher operations and maintenance expense due to higher plant dispatch of FG Hydro.

Others

There was an increase of \$0.5 million in the operating costs from other businesses during the period to \$0.5 million in the first half of 2016 from \$0.001 million in the first half of 2015. This was due to the new distribution cost incurred by FGES brought about by the new client through the new payment scheme with Meralco.

G&A Expenses

G&A expenses decreased by \$16.0 million, or 14.8%, to \$92.5 million in the first half of 2016, compared to \$108.5 million in the first half of 2015. This was primarily a result of a \$6.1 million decrease in taxes, licenses, and insurance expenses of EDC and FG Hydro since the said companies have deferred the payment of their plant insurance premiums for 2016 due to the pending billing for the period. In addition, there was a \$4.3 million decrease in professional fees due to EDC’s payment of legal and non-corporate fees in 2015 that were absent in 2016, supplemented by lesser use of professional and technical services for the Avion project during the period.

Moreover, there was a \$4.2 million decrease in miscellaneous G&A expenses due to FGPC’s and FGP’s completion of its build-a-school project in 2015 and to EDC’s lower expenses for materials and supplies. These decreases were further supplemented by a \$1.8 million decrease in staff costs as it applied various cost saving programs during the period.

Interest income

Interest income slightly decreased by \$0.4 million, or 8.5%, to \$4.5 million for the first half of 2016 from \$4.9 million in the same period of 2015 primarily due to lower investible funds coupled with lower weighted average interest rates.

Interest expense and financing charges

Interest expense and financing charges decreased by \$3.8 million, or 4.1%, to \$88.7 million for the first half of 2016 from \$92.4 million in the same period of 2015 due to the payments of the scheduled loan principal amortization though partially offset by additional interest expense from the Parent’s \$200 million term loan obtained last September 2015.

Foreign exchange losses – net

For the first half of 2016, the First Gen Group recognized unrealized foreign exchange losses of \$0.4 million, an improvement from the \$5.6 million in foreign exchange loss booked in the first half of 2015. This was primarily due to the lower unrealized foreign exchange losses recognized by EDC, which was further supplemented by the reversal of foreign exchange losses booked by FNPC and the higher foreign exchange gains of the Parent in the first half of 2016. The minimal loss in unrealized foreign exchange movements recognized was a result of no movement of the Philippine Peso against the U.S. Dollar in the first half of 2016 (from ₱47.06:\$1.00 as of end-2015 to ₱47.06:\$1.00 as of end-June 2016) compared to the depreciation of the Philippine Peso in the first half of 2015 (from ₱44.72:\$1.00 as of end-2014 to ₱45.09:\$1.00 as of end-June 2015).

MTM gain on derivatives – net, and MTM gain on financial assets at FVPL

For the first half of 2016, net MTM gain on derivatives and MTM gain on financial assets at FVPL amounted to \$2.1 million, an increase by \$2.1 million from the \$0.009 million gain booked in the first half of 2015. The movement was mainly due to the favorable movements in the forward foreign exchange contracts and the call spread options of EDC for the period.

Other Income

Other income increased by \$10.9 million, or 47.6%, from \$22.8 million in the first half of 2015 to \$33.6 million in the first half of 2016 primarily due to the proceeds from liquidated damages received by FNPC from its contractor amounting to \$26.6 million following San Gabriel’s construction delay, partially offset by the lower receipt of EDC’s insurance claims amounting to \$6.2 million in the first half of 2016 and the absence of an \$8.5 million insurance claim proceeds that FGP received in the first half of 2015.

EDC booked partial insurance claims in 2016 relating to business interruption claims in 2016 due to lightning, machinery breakdown claims of the steam turbine and generators of Units 1, 2, and 3 of the BacMan plant in relation to the arbitration case with Weir Engineering Services Ltd., and damages due to typhoons Seniang and Yolanda.

Provision for Income Tax

The provision for income tax increased by \$7.5 million, or 18.7%, to \$47.5 million in the first half of 2016 from \$40.0 million in the first half 2015. This was mainly due to the higher taxable income of FNPC from liquidated damages, EDC, and FG Hydro, but partially offset by a benefit from deferred income tax by FGPC and FGP due to favorable movements in their mark-to-market derivatives.

Net Income

First Gen's consolidated net income increased by \$18.0 million, or 12.5% to \$161.8 million for the first half of 2016 from \$143.8 million in the first half of 2015. The increase in net income was mainly due to the movements in the contributions of the following subsidiaries:

- An increase in net income contribution of FNPC by \$21.3 million to \$20.4 million in the first half of 2016 due to its receipt of liquidated damages from its contractor, compared to a \$0.9 million net loss contribution in the first half of 2015 as the plant was in the middle of construction then;
- Higher net income contribution of FG Hydro by \$5.1 million, or 47.4% to \$15.9 million in the first half of 2016 compared to \$10.8 million in the first half of 2015 due to higher plant dispatch, supplemented by lower G&A expenses, as FG Hydro incurred less professional fees in 2016 and posted lower interest expenses; and,
- FGPC's higher net income contribution by \$1.8 million, or 5.0% due to higher dispatch, lower G&A expenses, taxes, as well as lower interest expenses.

The above items were partially offset by an \$8.0 million, or 26.2% decrease in net income contribution from FGP to \$22.5 million in the first half of 2016 from \$30.5 million in the first half of 2015 mainly due to the absence of the \$8.5 million insurance claims proceeds in 2016. This was supplemented by a \$2.3 million, or 2.5% decrease in net income contribution from EDC and its subsidiaries to \$90.7 million in the first half of 2016 from \$93.0 million in the first half of 2015 mainly as a result of lower contributions from BacMan and Nasulo, though partially offset by higher contributions from Tongonan, Palinpinon, and Burgos Wind. This decrease was accompanied by lower insurance claims booked by EDC. The increase in net income was likewise partially offset by the Parent Company's higher interest expense arising from the \$200 million term loan facility drawn in September 2015.

Net Income Attributable to Equity Holders of the Parent Company

The net income attributable to the Parent Company increased by \$17.6 million, or 18.5% to \$112.9 million for the first half of 2016, compared to \$95.3 million that was recognized in the first half of 2015. The increase in attributable net income was mainly due to the movements in the contributions of the following subsidiaries:

- An increase in net income contribution of FNPC by \$21.3 million to \$20.4 million in the first half of 2016 due to its receipt of liquidated damages from its contractor, compared to a \$0.9 million net loss contribution in the first half of 2015 as the plant was in the middle of construction then;
- Higher net income contribution of FG Hydro by \$3.6 million, or 47.6% to \$11.2 million in the first half of 2016 compared to \$7.6 million in the first half of 2015 due to higher plant dispatch, supplemented by lower G&A expenses, as FG Hydro incurred less professional fees in 2016 and posted lower interest expenses; and,
- FGPC's higher net income contribution by \$1.8 million, or 5.0%, mainly due to FGPC's higher dispatch, lower G&A expenses, taxes, as well as lower interest expenses.

The above items were partially offset by an \$8.0 million, or 26.2%, decrease in net income contribution from FGP to \$22.5 million in the first half of 2016 from \$30.5 million in the first half of 2015 mainly due to the absence of the \$8.5 million insurance claims proceeds in 2016. This was supplemented by a \$1.0 million, or 2.2% decrease in net income contribution from EDC and its subsidiaries to \$46.4 million in the first half of 2016 from \$47.4 million in the first half of 2015 mainly as a result of lower contributions from BacMan and Nasulo, though partially offset by higher contributions from Tongonan, Palinpinon, and Burgos Wind. This decrease was accompanied by lower insurance claims booked by EDC. The increase in net income was likewise partially offset by the Parent Company's higher interest expense arising from the \$200 million term loan facility drawn in September 2015.

Adjusting for non-recurring items such as proceeds from liquidated damages, insurance claims, input VAT claims written-off, one-time gains and losses, movements in deferred income taxes, unrealized foreign exchange differences, and MTM gains on derivative transactions, First Gen's RNI attributable to the Parent Company was \$87.6 million for the first half of 2016. This was \$0.3 million, or 0.4% lower than the attributable RNI of \$87.9 million in the first half of 2015. RNI remained flat as the higher RNI contributions of FGPC and FG Hydro due to their higher dispatch and of PMPC due to net commissioning income were offset by the lower RNI contributions of FGP and EDC due to higher operating expenses, as well as the higher interest expenses incurred by First Gen Parent.

Amount in USD thousands	1st half of 2016	1st half of 2015 (As Adjusted)
Net income attributable to the Parent Company	\$112,940	\$95,270
Adjustment of non-recurring items attributable to the Parent Company:		
Insurance proceeds – FGP	–	(6,986)
Insurance proceeds – EDC	(3,150)	(8,510)
Liquidated damages – FNPC	(21,311)	–
EDC's input VAT claims written off	391	620
EDC's expenses related to typhoon damages	–	4,054
EDC's collection of legal fees related to BGI's arbitration	(354)	–
EDC's employee retirement program (ERP)	1,668	–
Movement in deferred income tax of FGPC, FGP, FGES and Blue Vulcan	(1,508)	137
Movement in deferred income tax of EDC	77	317
Unrealized foreign exchange gains (losses) of FGPC, FGP, FNPC and Parent	(252)	325
Unrealized foreign exchange losses of EDC, FG Hydro and Red Vulcan	172	2,688
MTM gain on derivatives and MTM gain on financial assets at FVPL of Parent Company	(93)	–
MTM gain on derivatives and MTM gain on financial assets at FVPL of EDC	(1,023)	(5)
Recurring Net Income attributable to the Parent Company	\$87,557	\$87,910

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Horizontal and Vertical Analyses of Material Changes as of June 30, 2016 and December 31, 2015

	Jun-16	Dec-15	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
(Amounts in US\$ and in Thousands)	(Unaudited)	(Audited)	2016 vs. 2015	2016 vs. 2015	(Unaudited)	(Audited)
ASSETS						
Current Assets						
Cash and cash equivalents	\$704,181	\$730,463	-\$26,282	-3.6%	12.7%	13.2%
Receivables	302,412	317,482	(15,070)	-4.7%	5.5%	5.8%
Inventories	106,335	101,618	4,717	4.6%	1.9%	1.8%
Financial assets at fair value through profit or loss	43,864	30,108	13,756	45.7%	0.8%	0.5%
Other current assets	129,105	119,321	9,784	8.2%	2.3%	2.2%
Total Current Assets	1,285,897	1,298,992	(13,095)	-1.0%	23.2%	23.5%
Noncurrent Assets						
Property, plant and equipment – net	2,736,248	2,708,175	28,073	1.0%	49.4%	49.1%
Goodwill and intangible assets	1,122,516	1,130,920	(8,404)	-0.7%	20.3%	20.5%
Deferred income tax assets – net	28,858	27,831	1,027	3.7%	0.5%	0.5%
Other noncurrent assets	363,635	352,769	10,866	3.1%	6.6%	6.4%
Total Noncurrent Assets	4,251,257	4,219,695	31,562	0.7%	76.8%	76.5%
TOTAL ASSETS	\$5,537,154	\$5,518,687	\$18,467	0.3%	100.0%	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	\$375,051	\$388,157	(\$13,106)	-3.4%	6.8%	7.0%
Income tax payable	19,855	8,807	11,048	125.4%	0.4%	0.2%
Dividends payable	15,443	15,967	(524)	-3.3%	0.3%	0.3%
Due to a related party	145	145	-	0.0%	0.0%	0.0%
Current portion of:					0.0%	0.0%
Long-term debts	377,404	285,661	91,743	32.1%	6.8%	5.2%
Derivative liabilities	486	105	381	362.9%	0.0%	0.0%
Total Current Liabilities	788,384	698,842	89,542	12.8%	14.2%	12.7%
Noncurrent Liabilities						
Long-term debts – net of current portion	2,483,274	2,677,138	(193,864)	-7.2%	44.8%	48.5%
Retirement and other post-employment benefits	45,480	41,541	3,939	9.5%	0.8%	0.8%
Derivative liabilities – net of current portion	35,974	26,388	9,586	36.3%	0.6%	0.5%
Deferred income tax liabilities – net	19,251	20,651	(1,400)	-6.8%	0.3%	0.4%
Other noncurrent liabilities	49,745	48,644	1,101	2.3%	0.9%	0.9%
Total Noncurrent Liabilities	2,633,724	2,814,362	(180,638)	-6.4%	47.6%	51.0%
Total Liabilities	3,422,108	3,513,204	(91,096)	-2.6%	61.8%	63.7%
Equity Attributable to Equity Holders of the Parent Company						
Redeemable preferred stock	69,345	69,345	-	0.0%	1.3%	1.3%
Common stock	75,123	75,123	-	0.0%	1.4%	1.4%
Additional paid-in capital	1,165,366	1,165,366	-	0.0%	21.0%	21.1%
Accumulated unrealized gain on Available-for-sale (AFS) financial assets	353	296	57	19.3%	0.0%	0.0%
Cumulative translation adjustments	(69,795)	(65,584)	(4,211)	6.4%	-1.3%	-1.2%
Equity reserve	(378,744)	(378,744)	-	0.0%	-6.8%	-6.9%
Retained earnings	939,064	841,503	97,561	11.6%	17.0%	15.2%
Cost of stocks held in treasury	(109,928)	(109,001)	(927)	0.9%	-2.0%	-2.0%
Sub-total	1,690,784	1,598,304	92,480	5.8%	30.5%	29.0%
Non-controlling Interests	424,262	407,179	17,083	4.2%	7.7%	7.4%
Total Equity	2,115,046	2,005,483	109,563	5.5%	38.2%	36.3%
TOTAL LIABILITIES AND EQUITY	\$5,537,154	\$5,518,687	\$18,467	0.3%	100.0%	100.0%

Cash and cash equivalents

Cash and cash equivalents decreased by \$26.3 million, or 3.6%, mainly due to the additions to the “Property, plant and equipment” account for various growth projects, the increase in financial assets at FVPL, payments of long-term debt and interest and other financing charges, and dividend payments to shareholders. These decreases were partially offset by cash generated from operations and loan borrowings.

Receivables

Receivables decreased by \$15.1 million, or 4.7%, mainly as a result of lower trade receivables of FGPC and FGP from Meralco due to lower average natural gas prices. This was partially offset by an increase in the total receivables of EDC due to an increase in receivables from the NPC and the National Transmission Corporation (TransCo). Trade receivables for first half of 2016 only includes the June 2016 billing period, while the balance as of December 31, 2015 includes the November and December 2015 billings periods as the payment due dates fell on non-business days.

Financial assets at FVPL

Financial assets at FVPL increased by \$13.8 million, or 45.7% due to the additional money market investments made by First Gen and EDC during the period.

Other current assets

Other current assets increased by \$9.8 million, or 8.2%, mainly due to an increase of \$6.1 million in Input VAT from purchases related to the construction of the San Gabriel and Avion power plants. In addition, EDC had an increase in derivative assets due to outstanding hedges of its foreign loans, partially offset by the redemption of its AFS financial assets following their maturity in the first half of 2016.

Property, plant, and equipment

Property, plant and equipment increased by \$28.1 million, or 1.0% primarily due to the construction of the Avion and San Gabriel power plants, and EDC's drilling activities in Palinpinon and Unified Leyte. The increase was partially offset by the depreciation of existing Property, plant and equipment.

Goodwill and intangible assets

Goodwill and intangible assets decreased by \$8.4 million, or 0.7%, due to the amortization of other intangible assets, such as concession rights, pipeline rights of FGP, water rights of FG Hydro, transmission line rights of FGPC, and computer software.

Other noncurrent assets

Other noncurrent assets increased by \$10.9 million, or 3.1% primarily due to the capitalization of FGPC's and FGP's O&M charges during the period to cover the estimated cost of turbine blades and vanes that are expected to be replaced in the next scheduled major maintenance outage. Likewise, the increase was supplemented by EDC's capital funding for its international projects, higher derivative assets, higher long-term receivables, and prepaid expenses. The account was partially offset by lower deferred debt issuance costs (DIC) resulting from a smaller undrawn portion of FNPC's KfW loan.

Accounts payable and accrued expenses

Accounts payable and accrued expenses decreased by \$13.1 million, or 3.4%, primarily due to EDC's lower trade payables to its suppliers, supplemented by lower payables to the Gas Sellers due to lower average natural gas prices in 2016 versus 2015, and lower accrued interest and financing costs of the Parent.

Income tax payable

Income tax payable increased by \$11.0 million, or 125.4%, mainly due to the higher taxable income of FNPC brought about by its receipts of liquidated damages and due to FG Hydro's higher electricity sales.

Long-term debt – current portion

The current portion of long-term debt increased by \$91.7 million, or 32.1%, mainly due to the reclassification of EDC's ₱ 3.5 billion bond that will mature in December 2016 and the increase in the current portion of the \$265.0 million ECA facility of FNPC with KfW of Germany (the first loan repayment is scheduled in September 2016).

Long-term debt – net of current portion

Long-term debt decreased by \$193.9 million, or 7.2%, mainly due to the reclassification of the maturing obligations to the current portion, from FGPC, FGP, FNPC, EDC, and Red Vulcan.

Retirement and other post-employment benefits

This account increased by \$3.9 million, or 9.5%, mainly due to the retirement expense provision recognized during the period.

Derivative liabilities – net of current portion

Derivative liabilities increased by \$9.6 million, or 36.3%, due to the unfavorable movements in EBWPC's derivative instruments as its interest rate swap agreements resulted in losses, supplemented by unfavorable movements in the MTM valuation of FGPC's and FGP's interest rate swaps as a result of actual LIBOR rates falling below projections for the period as compared to the LIBOR projections in December 2015.

Cumulative translation adjustments

Cumulative translation adjustments increased by \$4.2, or 6.4%, due to unfavorable movements of the derivative instruments of FGPC, FGP and EDC, which were designated as cash flow hedges.

Retained earnings

Retained earnings increased by \$97.6 million, or 11.6% from \$841.5 million as of December 31, 2015 to \$939.1 million as of June 30, 2016. The increase was due to the attributable earnings to the Parent Company for the first half of 2016 amounting to \$112.9 million, partially offset by cash dividends declared to preferred shareholders.

LIQUIDITY AND CAPITAL RESOURCES

We rely largely on operating cash flows, borrowings, long-term debt, and capital raising through the issuance of stocks to provide our liquidity requirements. Due to our significant operating cash flows as well as our financial assets, access to capital markets, available lines of credit, and revolving credit agreements, we believe that we have, and will maintain, the ability to meet our liquidity needs for the foreseeable future, which include:

- the working capital requirements of our operations;
- investments in our business;
- dividend payments;
- share repurchases;
- paying down outstanding debt;
- contributions to our retirement plans and other post-employment benefits; and
- business development activities.

The near-term outlook for our business remains strong, and we expect to generate substantial cash flows from operations in 2016, which gives us significant flexibility to meet our financial commitments. We normally use debt financing to lower our overall cost of capital and increase our return on stockholders' equity. We have a history of borrowing funds domestically and internationally, and continue to have the ability to borrow funds at reasonable interest rates.

The following table shows our consolidated cash flows for the six months ended June 30, 2016 and 2015, and provides certain relevant measures of our liquidity and capital resources as at June 30, 2016 and December 31, 2015:

(in Thousand U.S. Dollars except for % change)	For the six months ended June 30			
	2016	2015	Change	YoY%
Consolidated Cash Flows				
Net cash flows from operating activities	341,517	413,995	(72,478)	-17.5%
Net cash flows from investing activities	(136,666)	(327,798)	191,132	-58.3%
Net cash flows from financing activities	(231,078)	103,955	(335,033)	-322.3%
Total Capital Expenditures ¹	126,882	299,043	(172,161)	-57.6%

Capitalization

Interest-bearing long-term debt:

	30-Jun-16	31-Dec-15
Current portion	\$377,404	\$285,661
Non-current portion	2,483,274	2,677,138
Total interest-bearing long-term debt	2,860,678	2,962,799
Total equity attributable to equity holders of the Parent Company	1,690,784	1,598,304
	\$4,551,462	\$4,561,103

Other Selected Financial Data

Total assets	5,537,154	5,518,687
Cash and cash equivalents	704,181	730,463
Financial assets at FVPL	43,864	30,108

¹ Total capital expenditures include acquisition of property, plant and equipment, exploration and evaluation assets, intangible assets and capitalized borrowing costs for the period regardless of whether payment was made or not.

The First Gen Group's consolidated assets as at June 30, 2016 amounted to \$5.54 billion compared to \$5.52 billion as of December 31, 2015. Consolidated cash and cash equivalents and short-term investments in FVPL amounted to \$748.0 million as of June 30, 2016 compared to \$760.6 million as of December 31, 2015.

Principal sources of cash and cash equivalents in the first six months of 2016 were generated from the Company's operations, which was offset by capital expenditures related to the construction of Avion and San Gabriel, as well as the scheduled principal and interest payments on the Company's existing loans in 2016.

Cash Flows from Operating Activities

Net cash flows from operating activities for the six months ended June 30, 2016 decreased by 17.5%, or \$72.5 million to \$341.5 million from \$414.0 million from the same period in 2015 mainly due to lower revenue contributions of BacMan and Nasulo from lower spot market prices. This was further supplemented by EDC's lower insurance claim proceeds and the absence of an \$8.5 million insurance proceeds that FGP booked in 2015. The decline in cash from operating activities was partially offset by the higher combined dispatch of the gas plants (a combined average net capacity factor of 83.9% in the first half of 2016 as compared to 79.7% in the first half of 2015), as well as the \$26.6 million in liquidated damages that FNPC booked, following San Gabriel's construction delay.

Cash Flows from Investing Activities

Net cash flows used in investing activities decreased by 58.3%, or \$191.1 million, for the six months ended June 30, 2016 compared to the same period in 2015. This was primarily due to the decline in EDC's local exploration projects, and the lower capital expenditures of Avion and San Gabriel in 2016 as most of the construction works occurred in the previous year. Additions to Property, plant equipment account (net of disposals) for the six months ended June 30, 2016 amounted to \$111.9 million, as compared to \$289.8 million for the same period in 2015.

The First Gen Group currently expects 2016 full year capital expenditures at approximately \$584.8 million, primarily related to the construction of the San Gabriel and Avion power plants, which are expected to be fully completed in the third quarter of 2016 and EDC's 2016 full year capital expenditures. This will be funded through debt and internally-generated funds.

Cash Flows from Financing Activities

Net cash flows from financing activities for the six months ended June 30, 2016 reflected a net outflow of \$231.1 million, a significant decrease of 322.3%, or \$335.0 million, as compared to a net inflow of \$103.9 million from the same period in 2015. The decline was primarily due to GCGI's \$8.5 billion project finance loan that it secured on March 18, 2015, and FNPC's higher additional loan drawdown in 2015 (additional drawdown of \$94.5 million in the first half of 2015 compared to \$13.1 million for the same period in 2016). This was further supplemented by the Company's private placement of its common shares in January 2015.

Debt Financing

Movements in the financing activities for the six months ended June 30, 2016 are mainly due to the scheduled principal and interest payments of First Gen and its subsidiaries, as well as dividends it paid to its preferred shareholders amounting to \$200.1 million and \$16.0 million, respectively. The cash outflows from financing activities were partially offset by FNPC's additional loan drawdown of \$13.1 million, during the first half of 2016. Proceeds from long-term debt are intended to finance our capital expenditure requirements.

Below is the schedule of debt maturities based on the total outstanding debt of the First Gen Group as of June 30, 2016:

Year Due	(In thousand US\$)
Within one year	302,356
2 to 3 years	550,475
4 to 5 years	807,733
More than 5 years	1,246,945
	<u>2,907,509</u>

Loan Covenants

Our consolidated debt instruments contain restrictive covenants, including covenants that require us to comply with specified financial ratios and other financial tests principally at the end of each quarterly period. We have complied with all of our maintenance financial ratios as required under our loan covenants and other debt instruments.

As of June 30, 2016 and December 31, 2015, we are in compliance with all of our debt covenants.

See Note 13 - Long-term Debts - Loan Covenants to the accompanying unaudited interim condensed consolidated financial statements for a detailed discussion of our debt covenants.

Financing Requirements

We believe that our available cash, including cash flow from operations, will provide sufficient liquidity to fund our projected operating, investment, capital expenditures, and debt service requirements for the next 12 months.

Dividends

The Company currently has both preferred and common shares in its capital structure.

For the preferred shares, the Company paid cash dividends to its preferred shareholders amounting to \$16.0 million and \$20.1 million during the six months ended June 30, 2016 and 2015, respectively. The First Gen Board of Directors (BOD) approved the declaration of cash dividends to its preferred shareholders at its meeting on November 26, 2015. This dividend was paid on January 25, 2016 to its preferred shareholders of record as of December 23, 2015. On June 15, 2016, the First Gen BOD approved the declaration of cash dividends to its preferred shareholders amounting to \$15.5 million payable on July 25, 2016.

No dividends have been declared on the common shares for 2016. Note that First Gen has an existing dividend policy to declare, subject to certain conditions, an annual cash dividend on its common shares equivalent to 30% of the prior year's recurring net income. Any such declaration of cash dividend is conditional upon the recommendation of the Board of Directors, after taking into consideration factors such as, but not limited to, debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves, and working capital. (Further, the declaration of a cash dividend is subject to preferential dividend rights of the voting preferred shares and perpetual preferred shares.) This dividend policy may be revised by the board of directors for whatever reason it deems necessary, reasonable, or convenient.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have any current or future effect on our financial position, results of operations, cash flows, changes in stockholder's equity, liquidity, capital expenditures or capital resources that are material to investors.

FINANCIAL SOUNDNESS INDICATORS

First Gen Consolidated	June 2016	June 2015	December 2015
<i>Liquidity</i>			
Current ratio	1.63x	2.05x	1.86x
Quick ratio	1.28x	1.73x	1.50x
<i>Solvency/Financial leverage</i>			
Debt-to-equity ratio	1.62x	1.63x	1.75x
Interest-bearing debt-to-equity ratio (times)	1.35x	1.35x	1.48x
Asset-to-equity ratio	2.62x	2.63x	2.75x
<i>Profitability</i>			
Return on assets (%) – annualized	5.85%	5.25%	4.54%
Return on equity (%) – annualized	15.71%	14.14%	12.52%

Financial Soundness Indicators	Details
Current ratio	Calculated by dividing Current assets over Current liabilities. This ratio measures the company's ability to pay short-term obligations.
Quick ratio	Calculated by dividing Cash and cash equivalents plus Receivables over Total current liabilities. This ratio measures a company's solvency.
Debt-to-equity ratio (times)	Calculated by dividing Total liabilities over Total equity. This ratio expresses the relationship between capital contributed by the creditors and the owners.
Interest-bearing debt-to-equity ratio (times)	Calculated by dividing Total interest-bearing debt over Total equity. This ratio measures the percentage of funds provided by the lenders/creditors.
Asset-to-equity ratio (times)	Calculated by dividing Total assets over Total equity.
Annualized Return on Assets	Calculated by dividing the numerator of the net income for the period times 2, by the denominator of the average of the total assets as of the end of the year and the beginning of the year. This ratio measures how the company utilizes its resources to generate profits.
Return on Assets	Calculated by dividing the Consolidated net income for the year by the Average total assets. This ratio measures how the company utilizes its resources to generate profits.
Annualized Return on Equity	Calculated by dividing the numerator of the net income for the period times 2, by the denominator of the average of the total equity at the end of the year and the beginning of the year. This ratio measures how much profit a company earned in comparison to the amount of shareholder equity found on the consolidated statement of financial position.
Return on Equity	Calculated by dividing the Consolidated net income for the year by the Average total equity. This ratio measures how much profit a company earned in comparison to the amount of shareholder equity found on the consolidated statement of financial position.

DISCUSSIONS OF MAJOR SUBSIDIARIES

FGPC

(UNAUDITED) (in USD thousands)	For the periods ended June 30	
	2016	2015
Revenues from sale of electricity	289,029	390,907
Operating income	67,991	69,164
Net income	42,839	41,775
	As of the periods ended	
(in USD thousands)	June 30, 2016 (Unaudited)	Dec. 31, 2015 (Audited)
Total assets	721,736	757,168
Debt – net of debt issuance costs	243,063	272,749
Other liabilities	215,877	222,756
Total equity	262,796	261,663

June 2016 vs. June 2015 Results

FGPC's revenues decreased by \$101.9 million, or 26.1%, to \$289.0 million in the first six months of 2016 from \$390.9 million in 2015. The decrease was primarily due to lower average gas prices in 2016 (\$6.5/MMBtu in the first half of 2016 from \$9.9/MMBtu in the first half of 2015). This was partially offset by FGPC's higher dispatch in 2016 (83.3% in the first half of 2016 compared to 81.2% for the same period in 2015), which was further supplemented by Santa Rita's higher Net Dependable Capacity (NDC) of 1,040.9 MW in the first half of 2016 compared to 1,032.9 MW in the first half of 2015.

Operating income decreased by \$1.2 million in the first six months of 2016 to \$68.0 million from \$69.2 million in 2015 mainly due to higher taxes and licenses expenses. FGPC posted a net income of \$42.8 million in the first half of 2016, which was higher by \$1.1 million, or 2.5%, from the \$41.8 million in net income earned in 2015. The increase was mainly due to FGPC's higher plant dispatch and lower interest expenses as a result of its scheduled debt payments but was partially offset by lower interest income.

June 2016 vs. December 2015

ASSETS

FGPC's total assets as of June 2016 stood at \$721.7 million, which decreased by \$35.5 million, or 4.7%, from a balance of \$757.2 million as of December 31, 2015 due to the movement in the following accounts:

- lower ending cash balances generated from operations;
- a lower level of accounts receivables;
- a decrease in Advances to shareholders resulting from their collections; and
- the depreciation of Property, plant and equipment for the six-month period

These were partially offset by:

- higher AFS financial assets from the additional purchases of financial equity securities; and
- an increase in capitalized prepaid major spare parts on account of the turbine blades.

LIABILITIES AND EQUITY

FGPC's total liabilities amounted to \$458.9 million as of June 30, 2016, lower by \$36.6 million, or 7.4%, from \$495.5 million as of December 31, 2015. The decrease in liabilities is primarily due to scheduled payments of loans.

Total equity increased by \$1.1 million to \$262.8 million as of June 30, 2016 as compared to \$261.7 million as of December 31, 2015 mainly due to income earned during the first half of 2016, partially offset by the cash dividends declared. The increase was partially offset by an increase in the "Accumulated other comprehensive loss" account due to unfavorable movements in the MTM valuation of FGPC's derivative instruments.

FGP Corp.

(UNAUDITED)	For the periods ended June 30	
(in USD thousands)	2016	2015
Revenues from sale of electricity	152,936	196,757
Operating income	36,488	38,394
Net income	24,651	32,698
	As of the periods ended	
(in USD thousands)	June 30, 2016 (Unaudited)	Dec. 31, 2015 (Audited)
Total Assets	601,539	589,339
Debt – net of debt issuance costs	338,425	355,124
Other Liabilities	122,645	117,906
Total Equity	140,469	116,309

June 2016 vs. June 2015 Results

Total revenues for the period ended June 30, 2016 decreased by \$43.8 million, or 22.3%, to \$152.9 million in 2016 from \$196.8 million in 2015. The decline in revenues was primarily due to lower fuel revenues that resulted from a decrease in average gas prices (\$6.7/MMBtu in the first half of 2016 as compared to \$9.9/MMBtu for the same period in 2015). The decrease was coupled with a lower average NDC (540.4 MW in the first half of 2016 compared to 546.6 MW during the same period in 2015). FGP did, however, have higher plant dispatch (85.1% in the first half of 2016 compared to 76.8% in the first half of 2015).

Correspondingly, operating income decreased by \$1.9 million, or 0.5% to \$36.5 million in the first half of 2016 from \$38.4 million for the same period in 2015. Net income decreased by \$8.0 million, or 24.6%, to \$24.7 million in the first half of 2016 from \$32.7 million for the same period in 2015 likewise due to the absence of additional income on insurance claims and benefit from deferred income tax that were recognized during the first half of 2015.

June 2016 vs. December 2015**ASSETS**

FGP's total assets as of June 2016 stood at \$601.5 million, which increased by \$12.2 million, or 2.1%, from \$589.3 million in 2015 mainly due to higher cash balance generated from operations.

LIABILITIES AND EQUITY

As of June 2016, total liabilities decreased by \$11.9 million, or 2.5%, to \$461.1 million from last year's \$473.0 million mainly due to scheduled loan payments of long-term debt (principal plus accrued interest).

Total equity increased by \$24.2 million, or 20.8%, to \$140.5 million as of June 30, 2016 as compared to \$116.3 million as of December 31, 2015. The increase in equity was mainly due to earnings during the six-month period, partly offset by the unfavorable movements in the MTM valuation of FGP's derivative instruments.

EDC Consolidated

(UNAUDITED) (Amounts in PHP millions)	For the periods ended June 30	
	2016	2015
Revenues from sale of electricity	17,005.5	16,775.4
Foreign exchange losses, net	(16.0)	(234.0)
Income before income tax	6,046.1	5,367.8
Net income	5,207.0	4,800.5
Net income attributable to Equity holders of the Parent Company	4,908.2	4,608.6
Recurring Net Income (RNI)	4,980.8	4,847.8
RNI attributable to Equity holders of the Parent Company	4,682.3	4,655.9
	As of the periods ended	
	June 2016 (Unaudited)	December 2015 (Audited)
Total Assets	135,767.2	136,041.1
Total Liabilities	86,383.9	88,811.4
Total Equity	49,383.3	47,229.7

June 2016 vs. June 2015 Results

EDC posted a net income of ₱5,207.0 million in the first semester of 2016, an increase of ₱406.5 million, or 8.5%, from the ₱4,800.5 million in the six-month period ended June 30, 2015. The movement was driven by a ₱230.1 million increase in revenues from the sale of electricity primarily due to FG Hydro, Tongonan, Palinpinon, and Burgos Wind's operations, lesser foreign exchange losses by ₱218.0 million, and a decrease of ₱443.4 million in the combined costs of sale of electricity and G&A expenses during the period. These increases were offset by a ₱271.9 million increase in provision for income tax on account of higher taxable income during the period.

EDC's recurring net income increased by 2.7% or ₱133.0 million to ₱4,980.8 million from ₱4,847.8 million posted during the same period in 2015, which was mainly attributable to improved revenues and less expenses incurred during the period. In terms of the recurring net income attributable to equity holders of the parent company, it slightly increased by ₱26.4 million, or 0.6%, from ₱4,655.9 million for the same period in 2015 to ₱4,682.3 million for the six-month period ended June 30, 2016.

ASSETS

Total assets slightly decreased by ₱273.9 million, or 0.2%, to ₱135,767.2 million, mainly due to the settlement of trade payables and higher payments of long-term debt. Total cash and cash equivalents decreased by ₱2,036.7 million, or 11.6%, to ₱15,577.2 million as of June 2016 from ₱17,613.9 million as of December 31, 2015, primarily attributable to scheduled loan repayments, interest and financing charges, cash dividends to the non-controlling shareholder of FG Hydro, and the additions totaling ₱3,029.4 million to the Property, plant and equipment account. This was partly offset by the ₱8,240.3 million net cash generated from operating activities.

The effect of the decrease in cash and cash equivalents account was partially negated by an increase in trade and other receivables account by ₱1,018.6 million, or 19.1%, to ₱6,364.8 million as of June 30, 2016 from a ₱5,346.2 million balance as of December 31, 2015 primarily due to an increase in trade receivables from NPC and National Transmission Corporation. Total Property, plant and equipment account slightly increased by ₱261.8 million, or 0.3%, from ₱88,567.7 million as of December 31, 2015 to ₱88,829.5 million as of June 30, 2016 primarily due to capital expenditures made, offset by the depreciation and amortization during the period, and the receipt of the arbitration settlement proceeds from Weir Engineering Services related to BacMan's rehabilitation.

LIABILITIES AND EQUITY

Total liabilities decreased by ₱2,427.5 million, or 2.7%, to ₱86,383.9 million as of June 30, 2016 from ₱88,811.4 million as of December 31, 2015 primarily due to payments made to various suppliers and scheduled loan repayments.

Total equity increased by ₱2,153.6 million, or 4.6%, from ₱47,229.7 million as of December 31, 2015 to ₱49,383.3 million as of June 30, 2016 mainly due to net income earned during the period, partly reduced by cash dividends declared.

FG Hydro

(UNAUDITED) (Amounts in PHP millions)	For the periods ended June 30	
	2016	2015
Operating revenues	1,537.2	1,208.7
Cost of sales	311.7	307.9
G&A expenses	162.9	175.7
Operating profit	1,062.6	725.1
Other expenses – net	59.2	83.1
Income before tax	1,003.4	642.0
Provision for (benefit from) income tax	271.4	162.2
Net income	732.0	479.8
	As of the periods ended	
	June 30, 2016 (Unaudited)	Dec. 31, 2015 (Audited)
Total assets	7,613.2	7,404.3
Total liabilities	3,261.4	3,427.6
Total equity	4,351.8	3,976.7

FG Hydro generated revenues of ₱1,537.2 million for the period ended June 30, 2016, 27.2% or ₱328.5 million higher than the revenues of ₱1,208.7 million for the same period in 2015. The favorable variance was mainly on account of a 21.3% increase in ancillary service revenues and slightly higher electricity generated in 2016 that consequently resulted to lower replacement power purchases, partially offset by a decrease in WESM revenues mainly due to lower spot prices for the period.

Cost of sales for the period was slightly higher at ₱311.7 million as compared to the ₱307.9 million level for the same period in 2015. The unfavorable variance was mainly due to higher water service fees paid to NIA during the period. General and administrative expenses, however, was lower at ₱162.9 million, ₱12.8 million or 7.3% lower compared to the ₱175.7 million expense for the same period in 2015. The favorable variance was mainly due to lower professional fees paid in 2016, partly offset by an increase in the amount of plant insurance amortization for the period. Interest expense for the period of ₱64.0 million was 25.9% or ₱22.4 million lower as compared to ₱86.4 million for the same period in 2015 due to lower long-term debt balance. However, provision for current income tax for the period of ₱271.4 million is 67.3% or ₱109.2 million higher as compared to ₱162.2 million for the same period in 2015. Overall, FG Hydro posted a 52.6% or ₱252.2 million increase in net income to ₱732.0 million for the period ended June 30, 2016 from the ₱479.8 million reported income for the same period in 2015.

Total assets as of June 30, 2016 stood at ₱7,613.2 million, ₱208.9 million or 2.8% higher than the December 31, 2015 level of ₱7,404.3 million. The favorable variance was mainly due to a higher accounts receivable balance in 2016.

As of June 30, 2016, total liabilities stood at ₱3,261.4 million, ₱166.2 million or 4.8% lower than the December 31, 2015 level of ₱3,427.6 million. The favorable variance was mainly on account of lower long-term debt balance as of June 30, 2016.

Total equity as of June 30, 2016 of ₱4,351.8 million rose by 9.4% or ₱375.1 million as compared to the December 31, 2015 level of ₱3,976.7 million mainly due to net income earned during the period, partly reduced by cash dividends declared.

FACTORS AFFECTING THE COMPANY'S RESULTS OF OPERATIONS

Set out below are some of the more significant factors that have affected and continue to affect the Company's results of operations.

Impact of Coal

The Philippine electricity market is experiencing an influx of new coal plants due to decreasing costs with 5-year low coal prices as a result of a coal supply glut. Worldwide demand for coal has decreased in recent years due to a slowdown in economic growth, particularly in China which is the world's largest consumer of commodities, including coal. China is also making efforts to move away from "dirty" fuels such as coal in order to tackle its major pollution problems. The collapse of U.S. coal market has also been dramatic as low natural gas prices and mounting environmental regulations weaken demand to record lows.

While the rest of the world is using the least amount of coal to make electricity, cheap coal has established itself as the Philippines' main power generating fuel, where coal-fired plants constitute 65.0% to 70.0% of announced incoming capacities up to 2025. With electric power industry policy and decision makers seemingly oblivious to the fact that the heavy reliance on imported fossil fuel such as coal exposes the Philippines to volatile fuel prices and huge environmental costs, the country is moving towards a coal future. With increased competition putting downward pressure on bilateral contract prices from coal-fired plants, coal-fired power is relatively cheaper compared to geothermal-fired power without considering environmental costs.

Exchange Rate Fluctuations

The functional and presentation currency of some of the Company's subsidiaries is the Philippine Peso. However, its payments for debt service and major materials and services are denominated substantially in U.S. Dollar. Foreign exchange rate fluctuations affect the cost of borrowings, as well as the Philippine Peso value of such in their respective financial statements. EDC, in particular, recorded unrealized foreign exchange losses amounting to ₱16.0 million and ₱234.0 million for the period ended June 30, 2016 and 2015, respectively. The unit prices for majority of the SSAs and PPAs of EDC are indexed to the U.S. Dollar vis-a-vis the Philippine Peso.

Major Risks

The First Gen Group's principal financial liabilities are comprised of loans payable and long-term debts, among others. The main purpose of these financial liabilities is to raise financing for the First Gen Group's growth and operations. The First Gen Group has other various financial assets and liabilities such as cash and cash equivalents, receivables, amounts due to and from related parties, and accounts payable and accrued expenses, which arise directly from its operations.

As a matter of policy, the First Gen Group does not trade its financial instruments. However, the First Gen Group enters into derivative and hedging transactions, primarily interest rate swaps, cross-currency swaps and foreign currency forwards, as needed, for the sole purpose of managing the relevant financial risks that are associated with the First Gen Group's borrowing activities and as required by the lenders in certain cases. The First Gen Group has an Enterprise-Wide Risk Management Program which is aimed at identifying risks based on the likelihood of occurrence and impact to the business, formulate risk management strategies, assess risk management capabilities and continuously monitor the risk management efforts.

The main financial risks arising from the First Gen Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and approves policies for managing each of these risks as summarized below.

Interest Rate Risk

The First Gen Group's exposure to the risk of changes in market interest rate relates primarily to the First Gen Group's long-term debt obligations that are subject to floating interest rates, derivative assets, derivative liabilities and AFS financial assets.

The First Gen Group believes that prudent management of its interest cost will entail a balanced mix of fixed and variable rate debt. On a regular basis, the Finance team of the First Gen Group monitors the interest rate exposure and presents it to management by way of a compliance report. To manage the exposure to floating interest rates in a cost-efficient manner, the First Gen Group may consider prepayment, refinancing, or hedging the risks as deemed necessary and feasible.

In November 2008, FGPC entered into interest rate swap (IRS) agreements to cover the interest payments for up to 91.0% of its combined debt under the Covered and Uncovered Facilities. Under the swap agreement, FGPC agreed to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to the agreed-upon notional principal amounts.

EDC entered into 12 non-deliverable cross-currency swap (NDCCS) agreements with an aggregate notional amount of \$110.0 million to partially hedge the foreign currency and interest rate risks on its Refinanced Syndicated Term Loan that is benchmarked against US LIBOR and with flexible interest reset feature that allows EDC to select what interest reset frequency to apply (i.e., monthly, quarterly, or semi-annually). As it is EDC's intention to reprice the interest rate on the hedged loan quarterly, EDC utilizes NDCCS with quarterly interest payments and receipts.

EDC's subsidiary, EBWPC, entered into four IRS agreements in the last quarter of 2014 with an aggregate notional amount of US\$150.0 million. This is to partially hedge the interest rate risks on its ECA and Commercial Debt facilities (Foreign Facility) that is benchmarked against the U.S. LIBOR. As it is EBWPC's intention to re-price the interest rate on its foreign facility semi-annually, EBWPC utilizes IRS with semi-annual interest payments and receipts.

Foreign Currency Risk

Foreign Currency Risk with Respect to Philippine Peso, Euro and Other Foreign Currencies

The First Gen Group's exposure to foreign currency risk arises as the functional currency of the Company and certain subsidiaries, the U.S. Dollar, is not the local currency in its country of operations. Certain financial assets and liabilities as well as some costs and expenses are denominated in various foreign currencies. To manage the foreign currency risk, the First Gen Group may consider entering into derivative transactions, as necessary.

Foreign Currency Risk with Respect to U.S. Dollar

In the case of entities within the First Gen Group with the Philippine Peso as its functional currency, they are mainly exposed to foreign currency risk through monetary assets and liabilities denominated in U.S. Dollar. Any depreciation of the U.S. Dollar against the Philippine Peso posts foreign exchange losses relating to its monetary assets and liabilities.

In the case of EDC, its exposure to foreign currency risk is mitigated to some degree by some provisions of its GRESC's, SSA's, PPA's and Renewable Energy Payment Agreement (REPA). The service contracts allow full cost recovery while its sales contracts include billing adjustments covering the movements in Philippine Peso and the U.S. Dollar rates, U.S. Price and Consumer Indices, and other inflation factors. To further mitigate the effects of foreign currency risk, EDC will prepay, refinance, enter into derivative contracts, or hedge its foreign currency denominated loans whenever deemed feasible.

Credit Risk

The First Gen Group trades only with recognized, reputable and creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is the First Gen Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the level of the allowance account is reviewed on an ongoing basis to ensure that the First Gen Group's exposure to doubtful accounts is not significant.

In the case of EDC, the geothermal and power generation businesses trade with two major customers, NPC and TransCo, both are government-owned and -controlled corporations. Any failure on the part of NPC and TransCo to pay their obligations to EDC would significantly affect EDC's business operations. As a practice, EDC closely monitors its collections from NPC and TransCo, and may charge interest on delayed payments following the provisions in its PPAs and Renewable Energy Payment Agreement (REPA), respectively. Receivable balances are monitored on an ongoing basis to ensure that EDC's exposure to bad debts is not significant. The maximum exposure of trade receivable is equal to the carrying amount.

With respect to credit risk arising from the other financial assets of the First Gen Group, which comprise of cash and cash equivalents, excluding cash on hand, trade and other receivables, financial assets at FVPL, and AFS financial assets, the First Gen Group's exposure to credit risk arises from a possible default of the counterparties with a maximum exposure equal to the carrying amount of these instruments before taking into account any collateral and other credit enhancements.

Concentration of Credit Risk

The Company, through its operating subsidiaries FGP and FGPC, earns substantially all of its revenues from Meralco. Meralco is the largest distribution utility in the Philippines. Meralco is committed to take or pay for the capacity and energy generated by the Santa Rita and San Lorenzo power plants under the existing long-term PPAs which are due to expire in August 2025 and September 2027, respectively. While the PPAs provide mechanisms by which certain costs and obligations including fuel costs, among others, are pass-through to Meralco or are otherwise recoverable from Meralco, it is the intention of the Company, FGP and FGPC to ensure that the pass-through mechanisms, as provided for in their respective PPAs, are followed.

EDC's geothermal and power generation businesses trade with two major customers, namely NPC and TransCo. Any failure on the part of NPC and TransCo to pay their obligations to EDC would significantly affect EDC's business operations.

The First Gen Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of the receivables from Meralco, in the case of FGP and FGPC, and the receivables from NPC and TransCo, in the case of EDC.

Liquidity Risk

The First Gen Group's exposure to liquidity risk refers to the lack of funding needed to finance its growth and capital expenditures, service its maturing loan obligations in a timely fashion, and meet its working capital requirements. To manage this exposure, the First Gen Group maintains an amount of internally generated funds on hand and prudently manages the proceeds obtained from sales and fund-raising. On a regular basis, the First Gen Group's Treasury department monitors the available cash balances by preparing cash position reports.

In addition, the First Gen Group has short-term deposits and available credit lines with certain banking institutions. FGP, FGPC, and FG Hydro in particular, each maintain a Debt Service Reserve Account to sustain the debt service requirements for the next payment period. As part of its liquidity risk management, the First Gen Group regularly evaluates its projected and actual cash flows. It also continuously assesses the financial market conditions for opportunities to pursue fund raising activities.

PART II – OTHER INFORMATION

RELATED PARTY TRANSACTIONS

For a detailed discussion of the related party transactions, see *Note 18 – Related Party Transactions* to the accompanying unaudited interim condensed consolidated financial statements.

OTHER RELEVANT INFORMATION

Discussion and analysis of material event/s and uncertainties known to management that would address the past and would have an impact on future operations of the following:

- (i) ***Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.***

The Company has never been in a default position. The Company's current financing arrangements include standard provisions relating to events of default (e.g. non-payment, cross default, cross acceleration, insolvency, attachment). Any breach of a loan covenant or any material adverse change to the Company's operations or financial standing could trigger an event of default. The Company does not have contingent financial obligation during the reporting period.

- (ii) ***Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the period.***

The Company did not enter into any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons during the reporting period.

- (iii) ***Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.***

As of June 30, 2016, there were no known trends, events or uncertainties that have had or reasonably expected to have material effect in the Company's liquidity.

- (iv) ***Any material commitments for capital expenditures, general purpose of such commitments, and the expected sources of funds for such expenditures should be described.***

The Company has projects in the pipeline at varying degrees of development. These projects are being undertaken through the following platforms:

- a. **Run-of-river hydro:** The Company is strengthening its expertise in hydroelectric power plant construction and development in order to start the construction of the 32 MW Bubunawan run-of-river hydro power project in 2017. This project is located in Mindanao. Moreover, First Gen has licenses to develop at least two other run-of-river hydro projects in Mindanao; namely, the 33 MW Tagoloan and the 30 MW Puyo.
- b. **Liquefied Natural Gas (LNG) terminal:** The Company continues to pursue and employ its pioneering efforts for natural gas, by developing an import and regasification LNG terminal. Its planned construction and operation is to prepare for the eventual exhaustion of the Malampaya gas field sometime in 2022 to 2024 and to secure the future of the Company's natural gas platform. The LNG Terminal's Front-end Engineering Design is currently in third revision stage and potential suppliers have been engaged.
- c. **Natural gas:** The Company is likewise evaluating the construction of two 450 MW natural gas-fired power plants. The Company expects that the construction and operation of these new facilities would benefit from synergies throughout the gas projects, such as efficiencies from the shared fuel delivery and fuel storage facilities. The use of similar generating technology will also allow the Company to take advantage of the operational expertise of its personnel. The envisioned Santa Maria and Saint Joseph gas-fired plants are intended to be mid-merit combined cycle natural gas-fired power plants. The commissioning of the plants may be staggered between 2019 to 2022.

- d. **Geothermal:** The Company remains committed to grow its geothermal business overseas. Over the next ten years, the company is targeting to construct a 400 to 500 MW plant in Latin America. Weak commodity prices have; however, prompted the company to temporarily defer some capex-intensive growth projects and instead focus investments on its existing asset base to boost output and improve reliability and cash generation. As soon as a recovery in commodity prices is expected, the Company's key prospects in Chile and Peru will be revisited.
- e. **Wind and Solar:** The Company has 11 wind energy service contracts, 10 of which are undergoing feasibility studies while one is operational. Moreover, it has 3 solar energy service contracts, 2 of which are undergoing feasibility studies while one is operational.

(v) ***Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.***

The uncontracted portion of the Company's generation capacity may have a significant impact on the Company's overall financial performance should spot market prices of electricity become unfavorable. Spot prices are mostly determined by the supply and demand situation prevailing in the market.

(vi) ***Any significant elements of income or loss that did not arise from the registrant's continuing operations.***

There were no significant elements of income or loss that arose from continuing operations.

(vii) ***Any seasonal aspects that had a material effect on the financial condition or results of operations.***

FG Hydro and FG Bukidnon's sale of electricity are affected by seasonality or cyclicity of interim operations.

For EDC's Burgos Wind, higher revenue and operating profits are expected in the last quarter of the year based on the wind generation profile of Burgos. Meanwhile, EDC's Burgos Solar is expected to generate higher revenues during the summer months.

(viii) ***Any material events subsequent to the end of interim period that have not been reflected in the financial adjustments of the interim period.***

There were no material events that occurred subsequent to the balance sheet date.

FIRST GEN CORPORATION AND SUBSIDIARIES
AGING OF RECEIVABLES

Amounts in U.S. Dollars and in Thousands

A - 1

	Current	More than 30 days past due	More than 30 days to 1 year past due	More than 1 year past due	Total
Trade	\$210,823	\$9,596	\$18,377	\$59,140	\$297,936
Related parties	1,764	—	—	—	1,764
Loans and notes receivables	1,708	—	—	—	1,708
Others	2,532	214	66	594	3,406
	216,827	9,810	18,443	59,734	304,814
Less: allowance for impairment losses	—	—	—	(2,402)	(2,402)
	\$216,827	\$9,810	\$18,443	\$57,332	\$302,412

FIRST GEN CORPORATION AND SUBSIDIARIES

**SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
JUNE 30, 2016**

List of Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations Committee (PIC) Q&A's effective as of June 30, 2016:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities - Applying the Consolidation Exception*	Not Early Adopted		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	Not Early Adopted		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts*	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Disclosure Initiatives*	Not Early Adopted		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

*Standards and interpretations which will become effective subsequent to January 1, 2016.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2016		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation*	Not Early Adopted		
	Amendments to PAS 16: Bearer Plants*	Not Early Adopted		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not Early Adopted		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		

**Standards and interpretations which will become effective subsequent to January 1, 2016.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2016		Adopted	Not Adopted	Not Applicable
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization*	Not Early Adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants*	Not Early Adopted		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>	✓		
IFRIC 9	Reassessment of Embedded Derivatives	✓		
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			
IFRIC 15	Agreements for the Construction of Real Estate*	Not Early Adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓

*Standards and interpretations which will become effective subsequent to January 1, 2016.

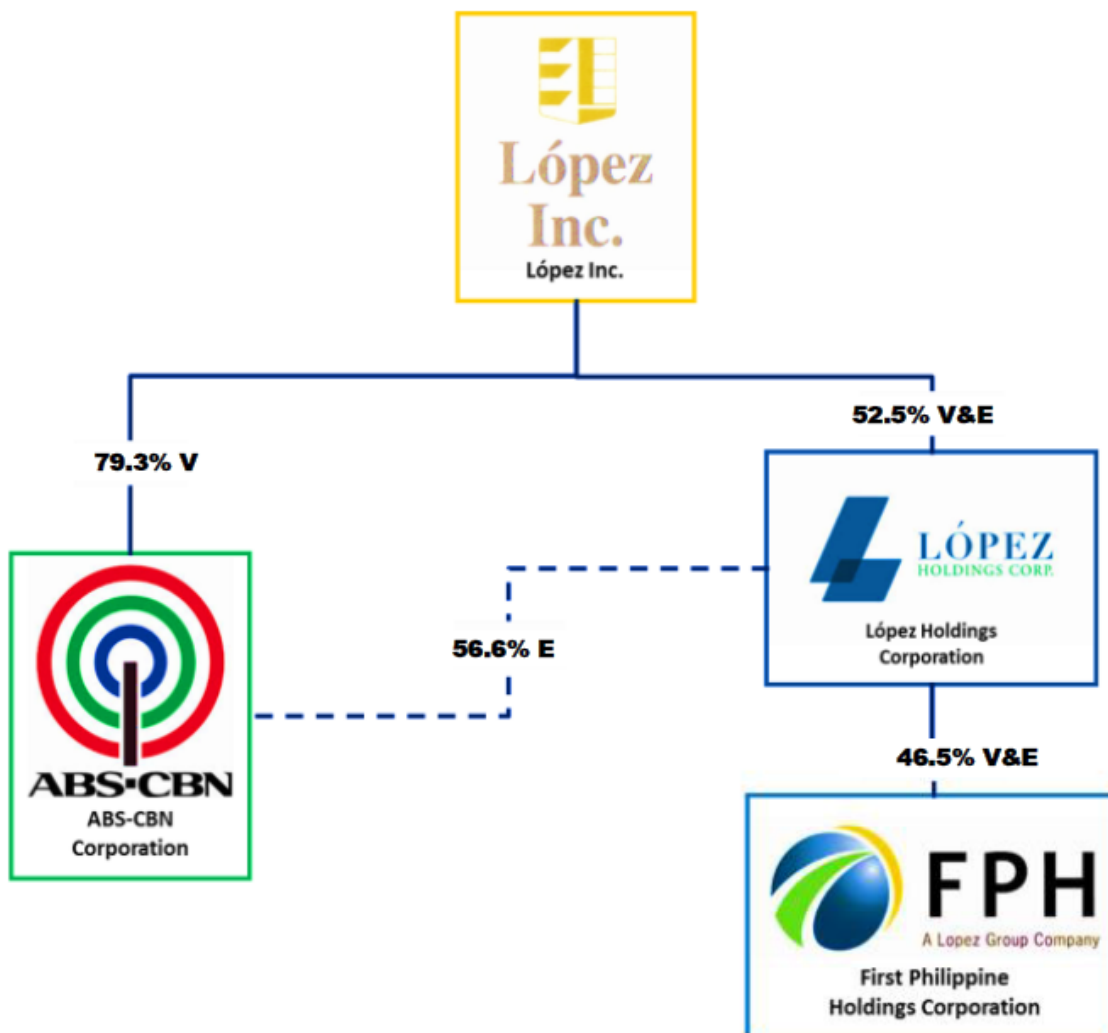
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Standards and interpretations which will become effective subsequent to January 1, 2016.*

Note: Standards and interpretations tagged as “Not Applicable” are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the six-month periods ended June 30, 2016 and year ended December 31, 2015.

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE LOPEZ GROUP

MAP OF THE COMPANIES WITHIN THE LOPEZ GROUP
AS OF JUNE 30, 2016

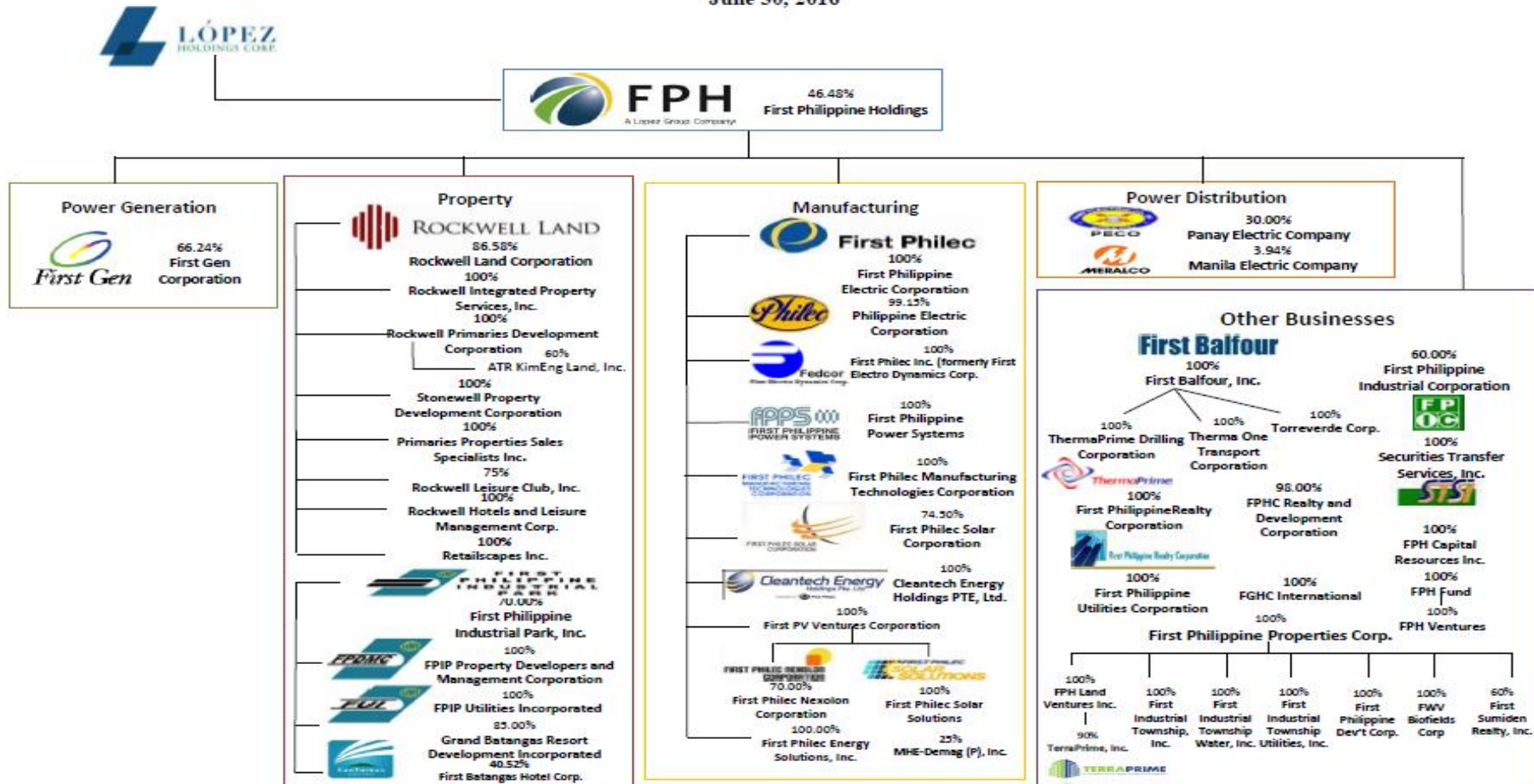


Legend:

E = Economic

V = Voting

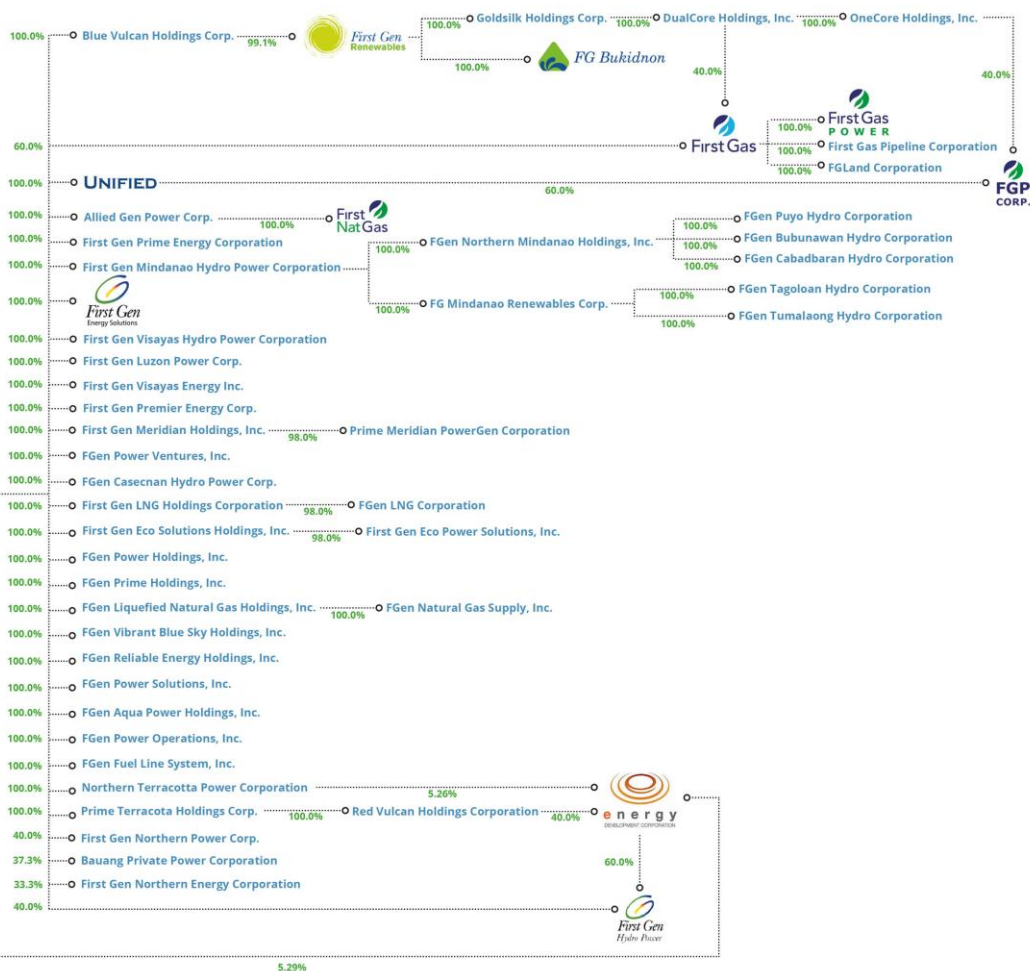
FIRST PHILIPPINE HOLDINGS CORP. AND SUBSIDIARIES
CORPORATE STRUCTURE
 June 30, 2016



**FPH's Corporate Structure as of June 30, 2016*

FPH
A Lapar Group Company
Economic = 66.2%

First Gen



Legend:



- First Philippine Holdings Corporation



- First Gen Corporation



- First Gas Holdings Corporation



- First Gas Power Corporation



- Unified Holdings Corporation



- FGP Corp.



- First NatGas Power Corp.



- First Gen Energy Solutions Inc.



- First Gen Renewables Inc.



- FG Bukidnon Power Corporation



- Energy Development Corporation



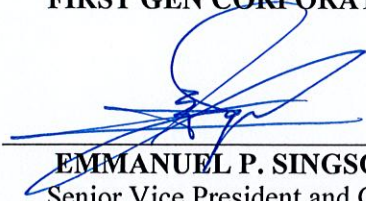
- First Gen Hydro Power Corporation

FGEN's Corporate Structure as of June 30, 2016

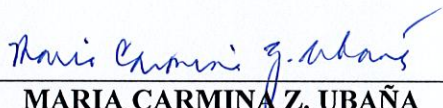
SIGNATURES

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

FIRST GEN CORPORATION



EMMANUEL P. SINGSON
Senior Vice President and CFO



MARIA CARMINA Z. UBAÑA
Vice President and Comptroller

August 11, 2016

First Gen Corporation and Subsidiaries
Unaudited Interim Condensed Consolidated Financial Statements
June 30, 2016 (With Comparative Audited Figures as at December 31, 2015)
and For the Six-Month Periods Ended June 30, 2016 and 2015
(In U.S. Dollars)

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

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	\$704,181	\$730,463
Receivables (Notes 5 and 18)	302,412	317,482
Inventories (Note 6)	106,335	101,618
Financial assets at fair value through profit or loss (FVPL) (Notes 7, 18 and 19)	43,864	30,108
Other current assets (Note 8)	129,105	119,321
Total Current Assets	1,285,897	1,298,992
Noncurrent Assets		
Property, plant and equipment (Notes 9 and 13)	2,736,248	2,708,175
Goodwill and intangible assets (Note 10)	1,122,516	1,130,920
Deferred income tax assets - net	28,858	27,831
Other noncurrent assets (Note 11)	363,635	352,769
Total Noncurrent Assets	4,251,257	4,219,695
TOTAL ASSETS	\$5,537,154	\$5,518,687
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 12 and 19)	\$375,051	\$388,157
Income tax payable	19,855	8,807
Dividends payable	15,443	15,967
Due to a related party (Note 18)	145	145
Current portion of:		
Long-term debts (Notes 9 and 13)	377,404	285,661
Derivative liabilities (Note 20)	486	105
Total Current Liabilities	788,384	698,842
Noncurrent Liabilities		
Long-term debts - net of current portion (Notes 9 and 13)	2,483,274	2,677,138
Retirement and other post-employment benefits	45,480	41,541
Derivative liabilities - net of current portion (Note 20)	35,974	26,388
Deferred income tax liabilities - net	19,251	20,651
Other noncurrent liabilities (Note 14)	49,745	48,644
Total Noncurrent Liabilities	2,633,724	2,814,362
Total Liabilities	\$3,422,108	\$3,513,204
(Forward)		

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Equity Attributable to Equity Holders of the Parent Company (Note 15)		
Redeemable preferred stock	\$69,345	\$69,345
Common stock	75,123	75,123
Additional paid-in capital	1,165,366	1,165,366
Accumulated unrealized gain on available-for-sale (AFS) financial assets	353	296
Cumulative translation adjustments (Note 20)	(69,795)	(65,584)
Equity reserve	(378,744)	(378,744)
Retained earnings	939,064	841,503
Cost of stocks held in treasury	(109,928)	(109,001)
	1,690,784	1,598,304
Non-controlling Interests	424,262	407,179
Total Equity	2,115,046	2,005,483
TOTAL LIABILITIES AND EQUITY	\$5,537,154	\$5,518,687

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME****(Amounts in U.S. Dollars and in Thousands, Except per Share Data)**

	For the Six-Month Periods Ended	
	June 30	
	2016	2015
REVENUES FROM SALE OF ELECTRICITY	\$804,311	\$965,246
COSTS OF SALE OF ELECTRICITY (Note 16)	(453,713)	(602,614)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	(92,469)	(108,494)
FINANCIAL INCOME (EXPENSE)		
Interest income	4,533	4,953
Interest expense and financing charges (Note 16)	(88,676)	(92,435)
	(84,143)	(87,482)
OTHER INCOME (CHARGES)		
Foreign exchange losses – net	(379)	(5,585)
Mark-to-market gain on derivatives - net (Note 20)	1,104	–
Mark-to-market gain on financial assets at FVPL (Notes 7 and 20)	1,012	9
Income from liquidated damages from contractors	26,636	–
Proceeds from insurance claims	6,231	25,401
Others - net (Note 20)	755	(2,629)
	35,359	17,196
INCOME BEFORE INCOME TAX	209,345	183,852
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	48,875	39,284
Deferred	(1,357)	762
	47,518	40,046
NET INCOME	\$161,827	\$143,806
Attributable to:		
Equity holders of the Parent Company	\$112,940	\$95,270
Non-controlling interests	48,887	48,536
	\$161,827	\$143,806
Basic Earnings per Share for Net Income Attributable to the		
Equity Holders of the Parent Company (Note 17)	\$0.027	\$0.021

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME****(Amounts in U.S. Dollars and in Thousands, Except per Share Data)**

	For the Three-Month Periods Ended	
	June 30	
	2016	2015
REVENUES FROM SALE OF ELECTRICITY	\$383,933	\$465,237
COSTS OF SALE OF ELECTRICITY	(220,126)	(288,689)
GENERAL AND ADMINISTRATIVE EXPENSES	(49,909)	(62,310)
FINANCIAL INCOME (EXPENSE)		
Interest income	2,252	2,836
Interest expense and financing charges	(42,988)	(47,449)
	(40,736)	(44,613)
OTHER INCOME (CHARGES)		
Foreign exchange losses - net	(12,163)	(6,409)
Mark-to-market gain on derivatives - net	450	—
Mark-to-market gain (loss) on financial assets at FVPL	587	(179)
Income from liquidated damages from contractors	26,636	—
Proceeds from insurance claims	4,252	23,549
Others	1,642	(1,434)
	21,404	15,527
INCOME BEFORE INCOME TAX	94,566	85,152
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	26,201	17,652
Deferred	(89)	589
	26,112	18,241
NET INCOME	\$68,454	\$66,911
Attributable to:		
Equity holders of the Parent Company	\$52,122	\$44,810
Non-controlling interests	16,332	22,101
	\$68,454	\$66,911

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME
(Amounts in U.S. Dollars and in Thousands)

	For the Six-Month Periods Ended	
	June 30	
	2016	2015
NET INCOME	\$161,827	\$143,806
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on foreign currency translation	1,515	(21,770)
Net gain (loss) on cash flow hedge - net of tax (Note 20)	(9,925)	4,190
Unrealized gain on AFS financial assets	143	78
	(8,267)	(17,502)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>		
Re-measurement of retirement and other post-employment benefits - net of tax	236	—
Total other comprehensive loss - net of tax	(8,031)	(17,502)
TOTAL COMPREHENSIVE INCOME	\$153,796	\$126,304
Total comprehensive income attributable to:		
Equity holders of the Parent Company	\$108,937	\$85,499
Non-controlling interests	44,859	40,805
	\$153,796	\$126,304

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME
(Amounts in U.S. Dollars and in Thousands)

	For the Three-Month Periods Ended	
	June 30	
	2016	2015
NET INCOME	\$68,454	\$66,911
OTHER COMPREHENSIVE INCOME (LOSS):		
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on foreign currency translation	(48,176)	(7,045)
Net gain (loss) on cash flow hedge - net of tax (Note 20)	(1,101)	9,927
Unrealized gain (loss) on AFS financial assets	44	(11)
	(49,233)	2,871
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>		
Re-measurement of retirement and other post-employment benefits - net of tax	—	—
Total other comprehensive gain (loss) - net of tax	(49,233)	2,871
TOTAL COMPREHENSIVE INCOME	\$19,221	\$69,782
Total comprehensive income attributable to:		
Equity holders of the Parent Company	\$16,344	\$49,777
Non-controlling interests	2,877	20,005
	\$19,221	\$69,782

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
(Amounts in U.S. Dollars and in Thousands, Except per Share Amount)

	Equity Attributable to Equity Holders of the Parent Company (Note 15)											
	Capital Stock		Additional Paid-in Capital	Cumulative Translation Adjustments	Accumulated Unrealized Gain on AFS Financial Assets	Equity Reserve	Retained Earnings	Cost of Stocks Held in Treasury		Subtotal	Non- controlling Interests	Total
	Redeemable Preferred Stock	Common Stock						Redeemable Preferred Stock	Common Stock			
BALANCES AT JANUARY 1, 2016	\$69,345	\$75,123	\$1,165,366	(\$65,584)	\$296	(\$378,744)	\$841,503	(\$85,639)	(\$23,362)	\$1,598,304	\$407,179	\$2,005,483
Total comprehensive income	—	—	—	(4,211)	57	—	112,940	—	—	108,786	44,774	153,560
Common stocks acquired by subsidiaries	—	—	—	—	—	—	—	—	(927)	(927)	—	(927)
Re-measurement of retirement and other post-employment benefits closed to retained earnings	—	—	—	—	—	—	151	—	—	151	85	236
Purchase of treasury stocks by EDC	—	—	—	—	—	—	—	—	—	—	(551)	(551)
Cash dividends on preferred shares (Note 15)	—	—	—	—	—	—	(15,530)	—	—	(15,530)	—	(15,530)
Dividends of subsidiaries	—	—	—	—	—	—	—	—	—	—	(27,225)	(27,225)
BALANCES AT JUNE 30, 2016	\$69,345	\$75,123	\$1,165,366	(\$69,795)	\$353	(\$378,744)	\$939,064	(\$85,639)	(\$24,289)	\$1,690,784	\$424,262	\$2,115,045
BALANCES AT JANUARY 1, 2015	\$69,345	\$74,728	\$1,052,282	\$8,283	\$354	(\$372,439)	\$737,525	\$—	(\$71,997)	\$1,498,081	\$414,525	\$1,912,606
Total comprehensive income (loss)	—	—	—	(9,803)	32	—	95,270	—	—	85,499	40,805	126,304
Share in employee trusts of EDC	—	—	—	—	—	—	—	—	—	—	10	10
Proceeds from issuance of common stocks and treasury stocks through private placement	—	395	114,474	—	—	—	—	—	52,987	167,856	—	167,856
Transaction costs on private placement	—	—	(1,390)	—	—	—	—	—	—	(1,390)	—	(1,390)
Acquisition of non-controlling interests in PTHC	—	—	—	—	—	(163)	—	—	—	(163)	(949)	(1,112)
Acquisition of non-controlling interests in EDC	—	—	—	—	—	(5,687)	—	—	—	(5,687)	(3,326)	(9,013)
Cash dividends on preferred shares (Note 15)	—	—	—	—	—	—	(19,550)	—	—	(19,550)	—	(19,550)
Dividends of subsidiaries	—	—	—	—	—	—	—	—	—	—	(21,062)	(21,062)
BALANCES AT JUNE 30, 2015	\$69,345	\$75,123	\$1,165,366	(\$1,520)	\$386	(\$378,289)	\$813,245	\$—	(\$19,010)	\$1,724,646	\$430,003	\$2,154,649

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

FIRST GEN CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS****(Amounts in U.S. Dollars and in Thousands)**

	For the Six-Month Periods Ended	
	June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$209,345	\$183,852
Adjustments for:		
Depreciation and amortization (Notes 9 and 10)	93,796	91,432
Interest expense and financing charges (Note 16)	88,676	92,435
Net unrealized foreign exchange losses	1,035	4,095
Loss on direct write-off of Input VAT claims	774	1,229
Interest income	(4,533)	(4,953)
Mark-to-market gain on derivatives – net	(1,104)	–
Mark-to-market gain on financial assets at FVPL	(1,012)	(9)
Reversal of impairment of spare parts and supplies inventories	(195)	(175)
Income before working capital changes	386,782	367,906
Decrease (increase) in:		
Receivables	15,088	46,596
Inventories	(4,521)	69,252
Other current assets	(7,935)	(56,787)
Increase (decrease) in:		
Accounts payable and accrued expenses	(18,484)	16,113
Retirement and other post-employment benefits	4,091	3,376
Net cash generated from operations	375,021	446,456
Interest received	4,533	4,953
Income taxes paid	(38,037)	(37,414)
Net cash flows from operating activities	341,517	413,995
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Redemption of financial assets at FVPL (Note 7)	10,646	–
Redemption of AFS financial assets	2,796	–
Collection of liquidated damages from contractors	2,595	–
Sale of property and equipment	212	265
Additions to:		
Property, plant and equipment	(111,931)	(289,766)
Financial assets at FVPL	(23,474)	(11,238)
Other noncurrent assets	(13,251)	(22,106)
AFS financial assets	(2,126)	–
Debt service reserve account (DSRA)	(1,539)	–
Exploration and evaluation assets	(534)	(3,634)
Intangible assets (Note 10)	(60)	(1,319)
Net cash used in investing activities	(136,666)	(327,798)

(Forward)

	For the Six-Month Periods Ended	
	June 30	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Long-term debt	(\$118,226)	(\$267,178)
Interest expense and financing charges	(81,895)	(83,337)
Dividends to non-controlling shareholders	(27,225)	(21,062)
Cash dividends to preferred shareholders	(15,967)	(20,056)
Parent Company shares acquired by subsidiaries	(927)	–
Purchase of treasury stocks by EDC	(551)	–
Acquisition of non-controlling interest in EDC	–	(9,013)
Acquisition of non-controlling interest in PTHC	–	(1,112)
Proceeds from:		
Availment of long-term debt – net of debt issuance costs	13,118	310,195
Issuance of common stocks and treasury stocks through private placement – net of transaction costs	–	166,466
Availment of short-term loans	–	26,496
Payments to related parties	–	(1)
Increase in other noncurrent liabilities	595	2,557
Net cash flows from (used in) financing activities	(231,078)	103,955
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		
ON CASH AND CASH EQUIVALENTS	(55)	14
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(26,282)	190,166
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF PERIOD	730,463	673,893
CASH AND CASH EQUIVALENTS		
AT END OF PERIOD (Note 4)	\$704,181	\$864,059

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

1. Corporate Information

First Gen Corporation (the Parent Company or First Gen) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1998. The Parent Company and its subsidiaries (collectively referred to as First Gen Group) are involved in the power generation business. All subsidiaries, except for certain subsidiaries of Energy Development Corporation (EDC), are incorporated in the Philippines. Certain subsidiaries of EDC are incorporated in British Virgin Islands (BVI), Hong Kong, Peru, Chile and Indonesia (see Note 2).

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

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

On July 25, 2011, the Parent Company issued ₱10.0 billion Series “F” Preferred Shares at a dividend rate of 8.0%. The Parent Company approved and authorized the issuance by way of private placement or issuance to Qualified Buyers of One Hundred Million (100,000,000) of its Series “F” preferred stocks with a par value of ₱10.0 a share and an issue price of ₱100.0 a share. The Series “F” Preferred Shares are currently listed and traded on the First Board of the PSE. Total proceeds of the issuance of the Series “F” Preferred Shares amounted to ₱10.0 billion (\$235.7 million). Transaction costs amounting to ₱53.0 million (\$1.2 million) was incurred and deducted against additional paid-in capital.

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

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

₱7.4 billion (\$166.5 million), net of transaction costs amounting to ₱62.1 million (\$1.4 million). Following the subscription, FPH maintained its 66.2% stake in the Parent Company's issued and outstanding common stocks.

As of June 30, 2016, FPH directly and indirectly owns 66.2% of the common stocks of First Gen and 100% of First Gen's voting preferred stocks. FPH is 46.5%-owned by Lopez Holdings Corporation (Lopez Holdings), a publicly-listed Philippine-based entity, as at June 30, 2016. Majority of Lopez Holdings is owned by Lopez, Inc. Lopez, Inc. is the ultimate parent of First Gen. FPH, Lopez Holdings and Lopez, Inc. are all incorporated in the Philippines. As of June 30, 2016, there are 362 common stockholders of record of First Gen, and 3,660,943,557 common stocks issued and outstanding as of June 30, 2016 (see Note 15).

Corporate Address

In February 2016, the Parent Company changed its principal office address from 3rd Floor, Benpres Building, Exchange Road corner Meralco Avenue, Pasig City to 6th Floor, Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City.

2. Summary of Significant Accounting Policies

Basis of Preparation

The unaudited interim condensed consolidated financial statements of First Gen Group as of June 30, 2016, and for the six-month periods ended June 30, 2016 and 2015 have been prepared on a historical cost basis, except for derivative financial instruments, financial assets at FVPL and AFS financial assets that have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in United States (U.S.) dollar, which is the Parent Company's functional currency, and are rounded to the nearest thousands, except when otherwise indicated.

Statement of Compliance

The unaudited interim condensed consolidated financial statements of First Gen Group have been prepared in accordance with PFRS' Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required in the annual consolidated financial statements, and should be read in conjunction with First Gen Group's annual consolidated financial statements as at and for the year ended December 31, 2015.

Significant Accounting and Financial Reporting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements as of and for the year ended December 31, 2015, except for the adoption of the following amended accounting standards that became effective beginning January 1, 2016.

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

Effective January 1, 2016

- PFRS 10, Consolidated Financial Statements, and PAS 28, Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendments) clarify that the exemption in PFRS 10 from presenting consolidated financial statements applied to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The

amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to First Gen Group since none of the entities within the Group is an investment entity nor does First Gen Group have investment entity associates or joint ventures.

- PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments), will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments have no impact on First Gen Group's financial position or performance.
- PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments), requires that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment has no impact on First Gen Group's financial position or performance.

- PAS 1, Presentation of Financial Statements - Disclosure Initiative clarifies, rather than significantly change, existing PAS 1 requirements. The amendments clarify:
 - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
 - That specific line items in the statements of income and comprehensive income and the statement of financial position may be disaggregated;
 - That entities have flexibility as to the order in which they present the notes to financial statements; and
 - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose the fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates on its consolidated financial statements. First Gen Group is currently assessing the impact of these amendments on its consolidated financial statements.

- PFRS 14, Regulatory Deferral Accounts, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The amendment has no impact on First Gen Group's financial position or performance.
- PAS 16 and PAS 41, Agriculture - Bearer Plants (Amendments), change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, Accounting for Government Grants and Disclosure of Government Assistance, will apply. The amendments have no impact on First Gen Group as the Group does not have any bearer plants.
- PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments), clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments are not expected to have any impact to First Gen Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Annual Improvements to PFRSs (2012-2014 Cycle)

The Annual Improvements to PFRSs (2012-2014 Cycle) are effective for annual periods beginning on or after January 1, 2016 contain non-urgent but necessary amendments. The amendments in the following standards are not expected to have a material impact on First Gen Group's financial position or performance:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment is to be applied prospectively.
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts* requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures

are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*, clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendments are to be applied retrospectively.
- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*, clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendments are to be applied prospectively.
- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*, clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendments are to be applied retrospectively.

Basis of Consolidation

The unaudited interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries.

Control is achieved when First Gen Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, First Gen Group controls an investee if and only if First Gen Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When First Gen Group has less than a majority of the voting or similar rights of an investee, First Gen Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- First Gen Group's voting rights and potential voting rights

First Gen Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when First Gen Group obtains control over the subsidiary and ceases when First Gen Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the unaudited interim condensed consolidated financial statements from the date First Gen Group gains control until the First Gen Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with First Gen Group's accounting policies. All significant intra-group assets and liabilities, equity, income and expenses, and cash flows relating to transactions between members of First Gen Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If First Gen Group loses control over a subsidiary, it derecognizes the carrying amounts of the assets (including goodwill) and liabilities of the subsidiary, derecognizes the carrying amount of any non-controlling interest (including any attributable components of other comprehensive income recorded in equity), derecognizes the cumulative translation differences recorded in equity, recognizes the fair value of the consideration received, recognizes the fair value of any investment retained, and any surplus or deficit is recognized in the unaudited interim consolidated statement of comprehensive income. First Gen Group also reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if First Gen Group had directly disposed of the related assets or liabilities.

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets not held by First Gen Group. Non-controlling interests are presented separately in the unaudited interim consolidated statement of income, unaudited interim consolidated statement of comprehensive income, and within equity in the unaudited interim consolidated statement of financial position, separate from equity attributable to equity holders of First Gen.

The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction in accordance with PAS 27. In transactions where the non-controlling interest is acquired or sold without loss of control, any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognized as part of "Equity reserve" account in the equity attributable to the equity holders of the Parent Company.

For the six-month periods ended June 30, 2016 and 2015, the non-controlling interests arise from the profits or losses and net assets not held by First Gen Group in EDC and Subsidiaries.

Subsidiaries

The following is a list of the companies on which the Parent Company has control as of June 30, 2016 and December 31, 2015:

	Percentage of Voting Interest	
	June 30, 2016	December 31, 2015
First Gen Renewables, Inc. (FGRI) ¹⁴	100	100
Unified Holdings Corporation (Unified)	100	100
AlliedGen Power Corp. (AlliedGen)	100	100
First Gen Luzon Power Corp. (FG Luzon)	100	100
First Gen Visayas Hydro Power Corporation (FG Visayas)	100	100
First Gen Mindanao Hydro Power Corporation (FG Mindanao)	100	100
First Gen Ecopower Solutions, Inc. (FG Ecopower) ¹	100	100
First Gen Energy Solutions Inc. (FGES)	100	100
First Gen Premier Energy Corp. (FG Premier)	100	100
First Gen Prime Energy Corporation (FG Prime)	100	100
First Gen Visayas Energy, Inc. (FG Visayas Energy)	100	100
FG Bukidnon Power Corporation (FG Bukidnon) ²	100	100

	Percentage of Voting Interest	
	June 30, 2016	December 31, 2015
Northern Terracotta	100	100
Blue Vulcan Holdings Corporation (Blue Vulcan) ¹⁴	100	100
Prime Meridian Powergen Corporation (Prime Meridian) ³	100	100
Bluespark ^{5, 14}	100	100
Gold silk Holdings Corporation ^{7, 14}	100	100
Dualcore Holdings Inc. ^{7, 14}	100	100
Onecore Holdings Inc. ^{7, 14}	100	100
FG Mindanao Renewables Corp. (FMRC) ⁸	100	100
FGen Northern Mindanao Holdings, Inc. (FNMHI) ⁸	100	100
FGen Tagoloan Hydro Corporation (FG Tagoloan) ⁹	100	100
FGen Tumalaong Hydro Corporation (FG Tumalaong) ⁹	100	100
FGen Puyo Hydro Corporation (FG Puyo) ¹⁰	100	100
FGen Bubunawan Hydro Corporation (FG Bubunawan) ¹⁰	100	100
FGen Cabadbaran Hydro Corporation (FG Cabadbaran) ¹⁰	100	100
FGHC ¹⁴	100	100
FGP ^{4, 14}	100	100
FNPC ⁵	100	100
First Gas Power Corporation (FGPC) ^{6, 14}	100	100
First Gas Pipeline Corporation (FG Pipeline) ^{6, 14}	100	100
FGLand Corporation (FG Land) ^{6, 14}	100	100
FGEN LNG Corporation (FGEN LNG) ¹¹	100	100
First Gen LNG Holdings Corporation (LNG Holdings)	100	100
First Gen Meridian Holdings, Inc. (FGEN Meridian)	100	100
FGen Power Ventures, Inc. (FGEN Power Ventures)	100	100
FGen Casecnan Hydro Power Corp. (FGEN Casecnan)	100	100
FGen Power Holdings, Inc. (Power Holdings)	100	100
FGen Prime Holdings, Inc. (Prime Holdings)	100	100
FGen Eco Solutions Holdings, Inc. (FGESHI)	100	100
FGen Liquefied Natural Gas Holdings, Inc. (Liquefied Holdings)	100	100
FGen Reliable Energy Holdings, Inc. (FG Reliable Energy)	100	100
FGen Power Solutions, Inc. (FG Power Solutions)	100	100
FGen Vibrant Blue Sky Holdings, Inc. (FGVBSHI)	100	100
FGen Aqua Power Holdings, Inc. (FG Aqua Power)	100	100
FGen Natural Gas Supply, Inc. (FGen NatGas Supply) ¹⁵	100	100
FGen Power Operations, Inc. (FPOI) ¹⁶	100	100
FGen Fuel Line Systems, Inc. (FGen Fuel Line) ¹⁷	100	73
Prime Terracota ¹³	100	100
First Gen Hydro Power Corporation (FG Hydro) ^{12, 13}	40	40

¹Through FGESHI

²Through FGRI

³Through FGEN Meridian

⁴Through Unified

⁵Through AlliedGen

⁶Through FGHC

⁷Through Blue Vulcan

⁸Through FG Mindanao

⁹Through FMRC

¹⁰Through FNMHI

¹¹Through LNG Holdings

¹² The Parent Company has 40% direct voting interest in FG Hydro while its effective economic interest is 70.0% through Prime Terracota as of June 30, 2016.

¹³ On June 18, 2015, the Parent Company purchased 16.0 million and 13.0 million Series "B" voting preferred stocks of Prime Terracota owned by Quialex Realty Corporation (QRC) and the Employees Retirement Plan of Lopez, Inc. [(LIRF)], respectively. As of June 30, 2016, the Parent Company holds 100% direct voting interest in Prime Terracota, and has a 67% effective voting interest in EDC through Prime Terracota.

¹⁴ On June 17, 2014, the Philippine SEC approved the Plan and Articles of Merger between FGRI and Bluespark that was executed on April 29, 2014. As a result of the merger, FGRI becomes the surviving corporation and is now 99.1% effectively owned by Blue Vulcan while the remaining 0.9% is still owned by the Parent Company. FGRI now effectively owns 40.0% voting and economic interest in FGHC and subsidiaries, and FGP. Prior to the merger, FGRI was a wholly-owned subsidiary of the Parent Company.

¹⁵ On May 15, 2015, FGen NatGas Supply was incorporated and registered with the Philippine SEC. FGen Natgas Supply is a wholly-owned subsidiary of Liquefied Holdings.

¹⁶ On July 21, 2015, FPOI was incorporated and registered with the Philippine SEC.

¹⁷ On September 9, 2015, FGen Fuel Line was incorporated and registered with the Philippine SEC.

All of the foregoing subsidiaries are incorporated in the Philippines.

As of June 30, 2016, AlliedGen, FNPC, FG Luzon, FG Visayas, FG Mindanao, FG Ecopower, FG Premier, FG Prime, FG Visayas Energy, Northern Terracotta, Prime Meridian, FMRC, FNMHI, FG Tagoloan, FG Tumalaong, FG Puyo, FG Bubunawan, FG Cabadbaran, FG Pipeline, FG Land, FGEN LNG, LNG Holdings, FGEN Meridian, FGEN Northern Power, FGEN Power Ventures, FGEN Casecan, Power Holdings, Prime Holdings, FGENSHI, Liquefied Holdings, FG Reliable Energy, FG Power Solutions, FGVBSHI, FG Aqua Power, FGen NatGas Supply, FPOI, and FGen Fuel Line have not started commercial operations.

As of June 30, 2016 and December 31, 2015, Prime Terracotta's subsidiaries include the following companies:

	Percentage of Voting Interest	
	June 30, 2016	December 31, 2015
Red Vulcan Holdings Corporation (Red Vulcan)	100	100
EDC*	60	60
First Gen Hydro Power Corporation (FG Hydro)	60	60
EDC Drillco Corporation (EDC Drillco)	60	60
EDC Geothermal Corp. (EGC)	60	60
Green Core Geothermal Inc. (GCGI)	60	60
Bac-Man Geothermal Inc. (BGI)	60	60
Unified Leyte Geothermal Energy Inc. (ULGEI)	60	60
Southern Negros Geothermal, Inc. (SNGI)***	60	60
EDC Mindanao Geothermal, Inc. (EMGI)***	60	60
Bac-Man Energy Development Corporation (BEDC)***	60	60
Kayabon Geothermal, Inc. (KGI)***	60	60
Mount Apo Renewable Inc. (MAREI)**	60	60
EDC Wind Energy Holdings, Inc. (EWEHI)****	60	60
EDC Burgos Wind Power Corporation (EBWPC)	60	60
EDC Pagudpud Wind Power Corporation (EPWPC)***	60	60
EDC Bayog Burgos Wind Power Corporation (EBBWPC)**	60	60
EDC Pagali Burgos Wind Power Corporation (EPBWPC)**	60	60
EDC Bright Solar Energy Holdings, Inc. (EBSEHI)****	60	60
EDC Bago Solar Power Corporation (EBSPC)**	60	60
EDC Burgos Solar Corporation (EBSC)**	60	60
EDC Chile Limitada	60	60
EDC Holdings International Limited (EHIL)****	60	60
Energy Development Corporation Hong Kong Limited (EDC HKL)****	60	60
EDC Chile Holdings SPA***	60	60
EDC Geotermica Chile***	60	60
EDC Peru Holdings S.A.C.****	60	60
EDC Geotermica Peru S.A.C.***	60	60
EDC Quellaapacheta***	60	60
EDC Geotermica Del Sur S.A.C.***	60	60
EDC Energia Azul S.A.C.***	60	60
Geotermica Crucero Peru S.A.C.***	42	42
EDC Energía Perú S.A.C.***	60	60
Geotermica Tutupaca Norte Peru S.A.C.***	60	60
EDC Energía Geotérmica S.A.C.***	60	60
EDC Progreso Geotérmico Perú S.A.C.***	60	60
Geotermica Loriscota Peru S.A.C.***	42	42
EDC Energía Renovable Perú S.A.C.***	60	60
EDC Soluciones Sostenibles Ltd	60	60
EDC Energia Verde Chile SpA	60	60
EDC Energia de la Tierra SpA	60	60
EDC Desarrollo Sostenible Ltd.	60	60
EDC Energia Verde Peru SAC	60	60
PT EDC Indonesia***	57	57

	Percentage of Voting Interest	
	June 30, 2016	December 31, 2015
PT EDC Panas Bumi Indonesia ***	57	57

*The Parent Company's economic interest in EDC is 50.55% as of June 30, 2016 and December 31, 2015.

**Incorporated in 2014 and has not yet started commercial operations

***Incorporated in prior years and has not yet started commercial operations

****Serves as an investment holding company

As of June 30, 2016, all subsidiaries of EDC HKL remained non-operating.

Investments in Associates

An associate is an entity over which First Gen Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or in joint control of those policies.

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

	Percentage of Voting Interest	
	June 30, 2016	December 31, 2015
First Gen Northern Energy Corp. (FGNEC) ¹	33	33
Bauang Private Power Corporation (BPPC) ²	37	37
FGEN Northern Power ³	40	40

¹The equity transaction between Metro Pacific Investments Corporation, Ayala Corporation and the Parent Company in March 2010 has led to the deconsolidation of FGNEC since the Parent Company's interest in FGNEC has been reduced to 33% from 100%. On December 23, 2015, the Philippine SEC approved the amendment to the Articles of Incorporation which consists of an amendment to the Fourth Article of the Articles of Incorporation shortening the term of FGNEC's existence from "fifty (50) years from and after the date of issuance of the certificate of incorporation the company's incorporation" to "until December 31, 2016."

²First Private Power Corporation (FPPC) has 93.25% voting and economic interest in BPPC. By virtue of the merger, FPPC transferred its assets and liabilities at their carrying values to BPPC on December 15, 2010.

³On July 7, 2015, Conal Holdings Corp. (Conal) subscribed to 37,500 common stocks of FGEN Northern Power at par value of ₱1.00 per share. As result of the subscription, Conal now owns 60% economic and voting interest in FGEN Northern Power while the Parent Company's interest was reduced from 100% to 40%. As a result, the Parent Company lost control of FGEN Northern Power but retained significant influence.

As of June 30, 2016 and December 31, 2015, the investments in FGNEC, BPPC and FGEN Northern Power amounted to nil.

3. Operating Segment Information

Operating segments are components of First Gen Group that are engaged in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by First Gen Group's Chief Operating Decision Maker (CODM) to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available. For purposes of management reporting, First Gen Group's operating businesses are organized and managed separately on a per company basis, with each company representing a strategic business segment. First Gen's identified operating segments, which are consistent with the segments reported to Board of Directors (BOD), which is the CODM of First Gen, are as follows:

- FGPC, which owns and operates the 1,000 megawatt (MW) combined cycle, natural gas-fired Santa Rita power plant, and where the Parent Company now has a 100% equity interest;
- FGP, which owns and operates the 500 MW combined cycle, natural gas-fired San Lorenzo power plant, and where the Parent Company now has a 100% equity interest;
- EDC and Subsidiaries, which holds service contracts with the DOE corresponding to 14 geothermal contract areas each granting EDC exclusive rights to explore, develop, and utilize the corresponding resources in the relevant contract area. EDC conducts commercial operations in four (4) out of its 14 geothermal contract areas. Likewise, EDC owns the

150 MW Burgos Wind Power Plant (Burgos Wind) and the 6.82 MW Burgos Solar Power Plant (Burgos Solar) both situated in Burgos, Ilocos Norte. As of June 30, 2016, Burgos Wind and Burgos Solar power plants are entitled to the Feed-In Tariff (FIT) rates. On June 18, 2015, the Parent Company purchased 16.0 million and 13.0 million Series “B” voting preferred stocks of Prime Terracota owned by QRC and LIRF, respectively. As of June 30, 2016, the Parent Company now has a 100.0% direct voting interest in Prime Terracota, and has a 67.0% effective voting interest in EDC through Prime Terracota; and,

- FG Hydro, which operates the 132 MW Pantabangan and Masiway Hydro Electric Power Plants (PAHEP/MAHEP), and where the Parent Company has a 40% direct economic interest and 70.0% effective economic interest as of June 30, 2016.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The classification of segment revenue is consistent with the unaudited interim consolidated statements of income. Segment expenses pertain to the costs and expenses presented in the unaudited interim consolidated statements of income excluding interest expense and financing charges, depreciation and amortization expense and income taxes which are managed on a per company basis.

First Gen has only one geographical segment as all of its operating assets are currently located in the Philippines. First Gen Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Revenue is recognized to the extent that it is probable that economic benefit will flow to First Gen Group and that the revenue can be reliably measured. Substantially all of the segment revenues of FGP and FGPC are derived from Meralco, the sole customer of FGP and FGPC; while close to 35.3% of EDC’s total revenues are derived from existing long-term Power Purchase Agreements (PPA) with National Power Corporation (NPC).

Financial information on the business segments are summarized as follows:

	For the Six-Month Periods Ended June 30, 2016 (Unaudited)						Total
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	
Segment revenue	\$289,029	\$152,936	\$328,915	\$32,688	\$4,579	(\$3,836)	\$804,311
Segment expenses	(201,738)	(105,821)	(130,883)	(5,508)	(16,535)	8,099	(452,386)
Segment results	87,291	47,115	198,032	27,180	(11,956)	4,263	351,925
Interest income	4,395	2,520	2,807	78	1,270	(6,537)	4,533
Interest expense and financing charges	(13,547)	(6,536)	(47,462)	(1,360)	(26,308)	6,537	(88,676)
Depreciation and amortization	(19,411)	(10,746)	(58,246)	(4,584)	(809)	–	(93,796)
Other income (charges)	67	155	7,049	23	32,328	(4,263)	35,359
Income (loss) before income tax	58,795	32,508	102,180	21,337	(5,475)	–	209,345
Provision for income tax	(15,956)	(7,857)	(11,875)	(5,442)	(6,388)	–	(47,518)
Net income (loss)	\$42,839	\$24,651	\$90,305	\$15,895	(\$11,863)	\$–	\$161,827

*Pertains to EDC and subsidiaries’ unaudited consolidated statement of income, including the effect of the purchase price allocation but excluding FG Hydro.

**Pertains to intercompany transactions that were eliminated upon consolidation.

For the Six Month Periods Ended June 30, 2015 (Unaudited)							
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Segment revenue	\$390,907	\$196,757	\$349,871	\$27,166	\$4,369	(\$3,824)	\$965,246
Segment expenses	(302,394)	(147,365)	(153,784)	(6,025)	(18,477)	8,339	(619,676)
Segment results	88,513	49,392	196,087	21,141	(14,078)	4,515	345,570
Interest income	5,174	2,676	3,293	77	1,087	(7,354)	4,953
Interest expense and financing charges	(15,267)	(6,339)	(51,503)	(1,941)	(24739)	7,354	(92,435)
Depreciation and amortization	(19,349)	(10,997)	(55,872)	(4,844)	(370)	–	(91,432)
Other income (charges)	58	8,396	8,888	(3)	4,372	(4,515)	17,196
Income (loss) before income tax	59,129	43,128	100,893	14,430	(33,728)	–	183,852
Provision for income tax	(17,354)	(10,430)	(8,548)	(3,647)	(67)	–	(40,046)
Net income (loss)	\$41,775	\$32,698	\$92,345	\$10,783	(\$33,795)	\$–	\$143,806

*Pertains to EDC and subsidiaries' unaudited consolidated statement of income, including the effect of the purchase price allocation but excluding FG Hydro.

**Pertains to intercompany transactions that were eliminated upon consolidation.

Other financial information of the business segments are as follows:

June 30, 2016 (Unaudited)							
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Current assets	\$314,916	\$296,544	\$587,931	\$45,319	\$518,422	(\$477,235)	\$1,285,897
Noncurrent assets	406,820	304,995	3,111,780	161,776	4,764,700	(4,498,814)	4,251,257
Total assets	\$721,736	\$601,539	\$3,699,711	\$207,095	5,283,122	(\$4,976,049)	\$5,537,154
Current liabilities	\$223,408	\$148,768	\$476,780	\$13,642	\$256,653	(\$330,867)	\$788,384
Noncurrent liabilities	235,532	312,302	1,355,051	69,304	907,041	(245,506)	2,633,724
Total liabilities	\$458,940	\$461,070	\$1,831,831	\$82,946	\$1,163,694	(\$576,373)	\$3,422,108

*Pertains to EDC and subsidiaries' unaudited consolidated statement of financial position, including the effect of the purchase price allocation but excluding FG Hydro.

**Pertains to intercompany assets and liabilities that were eliminated upon consolidation.

December 31, 2015 (Audited)							
	FGPC	FGP	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Current assets	\$327,094	\$265,760	\$588,083	\$37,021	\$597,446	(\$516,412)	\$1,298,992
Noncurrent assets	430,074	323,579	2,192,947	120,302	5,639,457	(4,486,664)	4,219,695
Total assets	\$757,168	\$589,339	\$2,781,030	\$157,323	\$6,236,903	(\$5,003,076)	\$5,518,687
Current liabilities	\$230,551	\$150,959	\$369,245	\$12,963	\$311,908	(\$376,784)	\$698,842
Noncurrent liabilities	264,954	322,071	1,450,673	60,414	970,358	(254,108)	2,814,362
Total liabilities	\$495,505	\$473,030	\$1,819,918	\$73,377	\$1,282,266	(\$630,892)	\$3,513,204

*Pertains to EDC and subsidiaries' consolidated statement of financial position, including the effect of the purchase price allocation but excluding FG Hydro.

**Pertains to intercompany assets and liabilities that were eliminated upon consolidation.

4. Cash and cash equivalents

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Cash on hand and in banks	\$179,593	\$123,021
Short-term deposits	524,588	607,442
	\$704,181	\$730,463

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

5. Receivables

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Trade	\$297,936	\$310,968
Due from related parties (Note 18)	1,764	2,021
Loans and notes receivables	1,708	1,908
Others	3,406	4,985
	304,814	319,882
Less: Allowance for impairment losses	(2,402)	(2,400)
	\$302,412	\$317,482

Aging of trade receivables:

Current	\$210,823
More than 30 days past due	9,596
More than 30 days to one year past due	18,377
More than one year past due	59,140
	\$297,936

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

6. Inventories

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
At cost:		
Fuel inventories	\$36,984	\$38,020
Spare parts and supplies	56,317	50,564
	93,301	88,584
At NRV - spare parts and supplies	13,034	13,034
	\$106,335	\$101,618

For FGP and FGPC, the amounts of fuel inventories recognized as expense were \$1.3 million and \$118.5 million for the six-month periods ended June 30, 2016 and 2015, respectively. These fuel expenses are recognized as part of the “Costs of sale of electricity” account in the unaudited interim consolidated statements of income.

7. Financial assets at FVPL

In 2014, EDC entered into an Investment Management Agreement (IMA) with Security Bank as investment manager, whereby EDC availed of its services relative to the management and investment of funds amounting to \$11.3 million (₱500.0 million). EDC invested an additional \$11.0 million (₱500.0 million) in 2015.

On June 30, 2016 and December 31, 2015, the Parent Company also entered into an IMA with BDO as investment manager, amounting to \$23.5 million and \$99.5 million, respectively.

Among others, following are the significant provisions of the IMA of EDC and the Parent Company:

- The investment managers shall administer and manage the fund as allowed and subject to the requirements of the Bangko Sentral ng Pilipinas (BSP), and in accordance with the written investment policy and guidelines mutually agreed upon and signed by the respective investment managers of EDC and the Parent Company.
- The agreement is considered as an agency and not a trust agreement. EDC and the Parent Company, therefore, shall at all times retain legal title to the fund.
- The IMA does not guaranty a yield, return, or income on the investments or reinvestments made by the investment manager. Any loss or depreciation in the value of the assets of the fund shall be for the account of EDC and the Parent Company.

First Gen Group accounts for the entire investment as a financial asset to be carried at fair value through profit or loss. Mark-to-market gain on the securities amounting to \$1.0 million and \$0.01 million for the six-month periods ended June 30, 2016 and 2015, respectively, are taken up in the unaudited interim consolidated statements of income.

As of June 30, 2016 and December 31, 2015, the movements of the financial assets at FVPL account are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balances at beginning of period	\$30,108	\$11,708
Additions for the period	23,474	110,514
Redemption for the period	(10,646)	(89,873)
Realized income for the period	14	79
Trustee fees	(7)	(6)
Foreign exchange adjustments	(91)	(2,145)
Mark-to-market gain (loss) on financial assets at FVPL	1,012	(169)
Balances at end of period	\$43,864	\$30,108

8. Other Current Assets

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Prepaid expenses	\$19,015	\$21,794
Input value-added tax (VAT)	59,591	53,486
DSRA (see Note 13)	29,678	28,140
Prepaid taxes	9,163	10,045
Derivative assets (see Note 20)	6,246	1,245
Advances to contractors	980	1,056
AFS financial assets	–	2,754
Others	4,432	801
	\$129,105	\$119,321

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

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

DSRA pertains to the restricted peso and dollar-denominated interest bearing accounts opened and established by EDC in accordance with the loan agreements entered into in 2015 that will serve as a cash reserve or deposit to service the principal and/or interest payments due on the loans (see Note 13).

9. Property , Plant and Equipment

Movements in the account are as follows:

June 30, 2016 (Unaudited)									
	Land	Power Plants, Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	Fluid Collection and Recycling System (FCRS) and Production Wells	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Cost									
Balances at December 31, 2015	\$57,406	\$1,772,510	\$868,648	\$667,680	\$36,566	\$7,680	\$1,790	\$627,055	\$4,039,335
Additions	1,610	391	1,552	329	758	331	228	112,347	117,546
Retirements/write-off	–	–	(5)	–	(1,008)	(238)	–	–	(1,251)
Reclassifications/adjustments	(185)	12,065	124	37,775	664	49	–	(53,716)	(3,224)
Foreign exchange adjustments	(1)	(9)	(1)	(26)	–	–	–	(41)	(78)
Balances at June 30, 2016	58,830	1,784,957	870,318	705,758	36,980	7,822	2,018	685,645	4,152,328
Accumulated Depreciation, Amortization and Impairment									
Balances at December 31, 2015	374	487,547	642,797	172,503	21,766	4,654	1,023	496	1,331,160
Depreciation and amortization (Note 16)	–	43,272	28,023	11,214	2,253	541	23	–	85,326
Retirements/write-off	–	–	(4)	–	(502)	(186)	–	–	(692)
Reclassifications/adjustments	–	(68)	367	6	6	12	–	–	323
Foreign exchange adjustments	–	(26)	(3)	(8)	–	–	–	–	(37)
Balances at June 30, 2016	374	530,725	671,180	183,715	23,523	5,021	1,046	496	1,416,080
Net Book Value	\$58,456	\$1,254,232	\$199,138	\$522,043	\$13,457	\$2,801	\$972	\$685,149	\$2,736,248

December 31, 2015 (Audited)									
	Land	Power Plants, Buildings, Improvements and Other Structures	Exploration, Machinery and Equipment	FCRS and Production Wells	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Cost									
Balances at December 31, 2014	\$57,594	\$1,739,857	\$871,015	\$634,021	\$35,487	\$7,281	\$1,210	\$367,022	\$3,713,487
Additions	1,937	38,150	4,939	4,232	2,210	1,108	593	416,001	469,170
Retirements/write-off	–	(2,186)	(475)	–	(396)	(606)	–	–	(3,663)
Reclassifications/adjustments (see Note 11)	–	67,850	(1,744)	63,486	773	85	–	(127,370)	3,080
Foreign exchange adjustments	(2,125)	(71,161)	(5,087)	(34,059)	(1,508)	(188)	(13)	(28,598)	(142,739)
Balances at December 31, 2015	57,406	1,772,510	868,648	667,680	36,566	7,680	1,790	627,055	4,039,335
Accumulated Depreciation, Amortization and Impairment									
Balances at December 31, 2014	395	418,493	589,016	158,680	17,905	4,017	990	–	1,189,496
Depreciation and amortization	–	85,364	57,377	22,557	4,828	1,185	47	–	171,358
Provision for impairment losses	–	–	–	–	–	–	–	515	515
Retirements/write-off	–	(1,513)	(395)	–	(221)	(442)	–	–	(2,571)
Reclassifications/adjustments	–	546	(628)	–	36	1	–	–	(45)
Foreign exchange adjustments	(21)	(15,343)	(2,573)	(8,734)	(782)	(107)	(14)	(19)	(27,593)
Balances at December 31, 2015	374	487,547	642,797	172,503	21,766	4,654	1,023	496	1,331,160
Net Book Values	\$57,032	\$1,284,963	\$225,851	\$495,177	\$14,800	\$3,026	\$767	\$626,559	\$2,708,175

Property, plant and equipment with net book values of \$222.9 million and \$241.7 million as of June 30, 2016 and December 31, 2015, respectively, have been pledged as security for long-term debt (see Note 13).

Estimated Rehabilitation and Restoration Costs

Under their respective ECCs, FGP and FGPC have legal obligations to dismantle their respective power plant assets at the end of their useful lives. FG Bukidnon, on the other hand, has contractual obligation under the lease agreement with PSALM to dismantle its power plant asset at the end of its useful life. FGP, FGPC, and FG Bukidnon established their respective provisions to recognize their estimated liability for the dismantlement of the power plant assets (see Note 14).

Also, FCRS and production wells include the estimated rehabilitation and restoration costs of EDC's steam fields and power plants' contract areas at the end of the contract period. These were based on technical estimates of probable costs which may be incurred by EDC in the rehabilitation and restoration of the said steam fields and power plants' contract areas from 2031 up to 2044, discounted using a risk-free discount rate and adjusting the cash flows to settle the provision. Similarly, EBWPC has recorded an estimated provision for asset retirement obligation relating to the removal and disposal of all wind farm materials, equipment and facilities from the contract areas at the end of contract period (see Note 14).

In 2015, First Gen Group adjusted its asset retirement obligation amounting to \$7.2 million. The revision in estimate was attributable to changes in discount rates.

Supply and Onshore Contracts with Istroenergo Group A.S. (IEG)

On August 1, 2014, PMPC signed an Engineering, Procurement and Supply (Offshore) Contract with IEG and an Onshore Engineering, Procurement and Construction Contract (Onshore Contract) with Energy Project Completion Ltd. ("EPCo"), a Philippine Branch Office of IEG, (collectively referred to as "EPC contracts"), for PMPC's 97 MW Avion Open Cycle Natural Gas-Fired Power Plant (Avion Plant). IEG is an engineering contractor from Slovakia experienced in the construction of aeroderivative gas turbine power plants. The Avion Plant will use General Electric's LM6000 PC Sprint aeroderivative gas turbines and have the capability to burn natural gas or liquid fuel. It is being constructed adjacent to the Parent Company's 1,000 MW Santa Rita and 500 MW San Lorenzo natural gas-fired power plants in Batangas City.

On March 14, 2016, PMPC terminated the EPC contracts due to IEG and EPCo's failure to comply with their obligations under the contracts, including, but not limited to, delay in completing the works. PMPC has likewise drawn against various performance securities issued by IEG and EPCo in the amount of \$12.2 million and ₱146.8 million, respectively, part of which will be used to complete the outstanding works required to commission the Avion Plant.

Total borrowing costs capitalized in connection with the project amounted to \$4.1 million from general borrowings using a capitalization rate of 6.5% per annum.

Execution of Completion Works Agreement (CWA) with MTU-BB Maintenance Berlin-Brandenburg GmbH ("MTU BB")

On March 16, 2016, PMPC executed a Completion Works Agreement ("CWA") with MTU BB for the completion of remaining commissioning works for the Avion Plant. MTU BB is a subsidiary of publicly-listed MTU Aero Engines AG, and is one of the leading maintenance providers for General Electric's LM series of aero derivative industrial gas turbines worldwide including the LM6000 gas turbines that will be used in the Avion Plant. As of June 30, 2016, the Avion plant is undergoing testing and commissioning, and it has been exporting power to the grid since April 2016. It is expected to be in commercial operations by 2016.

Construction of the 414 MW San Gabriel Power Plant (San Gabriel Plant)

On December 16, 2013, FNPC signed a Construction Services Contract with Siemens Inc. for the design, installation, testing and commissioning of an approximately 450 MW (nominal) net capacity combined-cycle gas-fired San Gabriel power plant to be located in Santa Rita, Batangas City. The San Gabriel Plant is intended to serve the mid-merit and, potentially, the base load requirements of the Luzon Grid, is expected to be in commercial operations in June 2016. On the same day, FNPC signed an Equipment Supply Contract with Siemens AG for the engineering, design and supply of equipment for the San Gabriel Plant. This contract includes the supply of equipment which is composed mainly of the Siemens 8000H gas turbine, steam turbine, Heat Recovery Steam Generator, generator, control systems, high voltage equipment, condenser and auxiliaries.

In 2016 and 2015, total specific and general borrowing costs capitalized in connection with the project amounted to \$4.7 million and \$17.5 million, respectively. Capitalization rate used for the general borrowing cost is 6.5% per annum. Borrowing costs consist of interest on long-term debt, amortization of debt issuance cost and foreign exchange losses from the revaluation of accrued interest payable and long-term debt (net of accumulated debt issuance cost). As of June 30, 2016, the construction of the San Gabriel Plant is substantially complete and the plant is midway through testing and commissioning period. Start of commercial operation is targeted in 2016.

Collection of liquidated damages from Siemens Inc. and Siemens AG by FNPC

In accordance with the signed Construction Service Contract with Siemens Inc. and Equipment Supply Contract with Siemens AG, FNPC received liquidated damages totaling to \$29.8 million as of June 30, 2016.

Collection of liquidated damages from Weir Engineering Services Limited (Weir) by BGI

On February 2, 2016, BGI received the International Court of Arbitration of the International Chamber of Commerce (ICC) Tribunal's Phase 1 Award dated February 1, 2016, wherein Weir was ordered to pay BGI \$4.4 million pursuant to the favorable determination by the Engineer, Parsons Brinckerhoff Philippines Inc. that sums are owed by Weir to BGI under the Contract for Works - Completion of Works to Steam Turbine and Generator of Units 1, 2 and 3 dated March 29, 2012. Weir was also ordered to reimburse BGI for the legal costs incurred amounting to \$0.9 million.

Weir has paid \$4.4 million and \$0.9 million on February 9, 2016 and February 23, 2016, respectively.

On June 27, 2016, all claims arising under the contract between BGI and Weir have been settled satisfactorily and that pursuant to this, BGI has agreed to return the \$1.9 million to Weir, and that BGI and Weir have agreed to jointly take steps to cause the discontinuance of the arbitration.

The net amount received of \$2.5 million for the liquidated damages was accounted as reduction from the Property, plant, and equipment account.

Depreciation and Amortization

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

	For the Six-Month Periods Ended	
		June 30
	2016	2015
Property, plant and equipment	\$85,326	\$83,089
Intangible assets	8,470	8,343
	\$93,796	\$91,432

	For the Six-Month Periods Ended	
	2016	June 30 2015
Costs of sale of electricity (see Note 16)	\$89,706	\$87,715
General and administrative (see Note 16)	4,090	3,717
	\$93,796	\$91,432

10. Goodwill and Intangible Assets

	June 30, 2016 (Unaudited)						
	Goodwill	Concession Rights for Contracts Acquired	Water Rights	Pipeline Rights	Rights to Use Transmission Line	Other Intangible Assets	Total
Cost							
Balances at December 31, 2015	\$1,026,264	\$177,151	\$51,100	\$13,253	\$1,152	\$4,328	\$1,273,248
Additions	–	–	–	–	–	60	60
Balances at June 30, 2016	1,026,264	177,151	51,100	13,253	1,152	4,388	1,273,308
Accumulated Amortization							
Balances at December 31, 2015	–	113,724	18,652	7,980	–	1,972	142,328
Amortization (see Note 10)	–	6,235	1,023	301	60	851	8,470
Foreign exchange adjustments	–	(4)	(1)	–	–	(1)	(6)
Balances at June 30, 2016	–	119,955	19,674	8,281	60	2,822	150,792
Net Book Values	\$1,026,264	\$57,196	\$31,426	\$4,972	\$1,092	\$1,566	\$1,122,516

	December 31, 2015 (Audited)						
	Goodwill	Concession Rights for Contracts Acquired	Water Rights	Pipeline Rights	Rights to Use Transmission Line	Other Intangible Assets	Total
Cost							
Balances at December 31, 2014	\$1,079,493	\$186,421	\$53,774	\$13,253	\$–	\$6,987	\$1,339,928
Additions	–	–	–	–	1,152	311	1,463
Reclassification	–	–	–	–	–	(2,713)	(2,713)
Foreign exchange adjustments	(53,229)	(9,270)	(2,674)	–	–	(257)	(65,430)
Balances at December 31, 2015	1,026,264	177,151	51,100	13,253	1,152	4,328	1,273,248
Accumulated Amortization							
Balances at December 31, 2014	–	106,561	17,477	7,378	–	998	132,414
Amortization	–	12,946	2,123	602	–	1,063	16,734
Foreign exchange adjustments	–	(5,783)	(948)	–	–	(89)	(6,820)
Balances at December 31, 2015	–	113,724	18,652	7,980	–	1,972	142,328
Net Book Values	\$1,026,264	\$63,427	\$32,448	\$5,273	\$1,152	\$2,356	\$1,130,920

Goodwill

As of June 30, 2016 and December 31, 2015, the outstanding balance of goodwill is attributable to Red Vulcan, GCGI, FG Hydro, EDC HKL and FGHC.

Goodwill is tested for impairment annually as at December 31 for Red Vulcan, FGHC, FG Hydro and EDC HKL, and September 30 for GCGI or more frequently; if events or changes in circumstances indicate that the carrying value may be impaired.

Concession rights for contracts acquired

As a result of the purchase price allocation of Red Vulcan, an intangible asset was recognized pertaining to concession rights originating from contracts of EDC amounting to \$204.3 million (P8,336.7 million). Such intangible asset pertains to the Steam Sales Agreements and PPAs of EDC. The identified intangible asset is amortized using the straight-line method over the remaining term of the existing contracts ranging from 1 to 17 years. The concession rights for contracts acquired have been valued based on the expected future cash flows using the Multiple

Excess Earnings Method (MEEM) as of the date of acquisition. MEEM is the most commonly used approach in valuing customer-related assets, although it may be used to value other intangible assets as well. The asset value is estimated as the sum of the discounted future excess earnings attributable to the asset over the remaining project period. The average remaining amortization period of the intangible asset pertaining to the concession rights originating from contracts is 4.50 years as of June 30, 2016.

Water rights

Water rights pertain to FG Hydro's right to use water from the Pantabangan reservoir for the generation of electricity. NPC, through a Certification issued to FG Hydro dated July 27, 2006, has given its consent to the transfer to FG Hydro, as the winning bidder of the PAHEP/MAHEP, of the water permit for Pantabangan river issued by the National Water Resources Council on March 15, 1977.

Water rights are amortized using the straight-line method over 25 years, which is the term of FG Hydro's agreement with the National Irrigation Administration (NIA). The remaining amortization period of water rights is 15.50 years as of June 30, 2016.

Pipeline rights

Pipeline rights represent the construction cost of the natural gas pipeline facility connecting the natural gas supplier's refinery to FGP's power plant including incidental transfer costs incurred in connection with the transfer of ownership of the pipeline facility to the natural gas supplier. The cost of pipeline rights is amortized using the straight-line method over 22 years, which is the term of the Gas Sale and Purchase Agreements (GSPA). The remaining amortization period of pipeline rights is 8.25 years as of June 30, 2016.

Rights to Use Transmission Line

On July 15, 2015, FGPC has agreed to give, transfer and convey, by way of donation, the Substation Improvements to TransCo amounting to \$1.2 million pursuant to the Substation Interconnection Agreement (SIA) dated September 2, 1997 entered into among FGPC, NPC and Meralco. The transferred substation improvements were accounted for as intangible assets since FGPC still maintains the right to use these assets under the provisions of the PPA with Meralco and the SIA. The cost of the rights to use the Substation Improvements is amortized using the straight-line method over 10 years, which is the remaining term of the PPA with Meralco. The remaining amortization period is 9.17 years as of June 30, 2016.

Other intangible asset

Other intangible asset pertains to EDC's computer software licenses.

11. Other Noncurrent Assets

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Input VAT	\$88,920	\$95,238
Prepaid major spare parts	82,753	69,541
Exploration and evaluation assets	65,833	65,312
Tax credit certificates (TCC)	55,988	56,423
Prepaid expenses	13,485	11,360
AFS financial assets	6,646	4,355
Deferred debt issuance costs (see Note 13)	6,048	7,207
Long-term receivables	3,013	2,700
Special deposits and funds	2,764	2,489
Retirement assets	\$2,764	\$3,224

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Derivative assets (see Note 20)	1,284	6,879
Others	43,633	37,248
	373,131	361,976
Less: Allowance for impairment losses	(9,496)	(9,207)
	\$363,635	\$352,769

Allowance for impairment losses pertaining to Input VAT and long-term receivables amounted to nil and \$0.7 million during the six-month periods ended June 30, 2016 and 2015, respectively.

“Others” account include capital expenditures funding made by EDC to Enerco amounting to \$26.1 million and \$20.1 million as of June 30, 2016 and December 31, 2015, respectively. EDC intends to capitalize these capital expenditures funding against the shares subscription once EDC decides to continue the Mariposa Project which is dependent on the results of the geological and other technical studies on the project.

12. Accounts Payable and Accrued Expenses

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Trade	\$260,511	\$286,231
Deferred output VAT	40,428	43,681
Accrued interest and financing costs	30,622	30,660
Withholding and other taxes payable	11,870	13,152
Output VAT	3,767	89
Government share payable	1,330	1,249
Others	26,523	13,095
	\$375,051	\$388,157

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

The accrued interest represents interest accrued on the outstanding loans which is reckoned from the last payment date up to the financial reporting date.

As of June 30, 2016 and December 31, 2015, the “Others” account includes EDC’s provision for shortfall generation, and portion of liabilities on regulatory assessments and other contingencies.

13. Loans Payable and Long-term Debts

Loans Payable

On May 15, 2015, FGP obtained a short-term loan amounting to \$26.5 million from ING Bank N.V. Manila Branch. The short-term loan had an all-in interest rate of 1.09% per annum. The proceeds were used to pay the liquid fuel purchased in February 2015. On November 12, 2015, FGP fully settled the short-term loan plus interest.

Long-term debts

This account consists of long-term debts of:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
EDC	\$1,471,651	\$1,515,599
First Gen	492,883	495,540
FGP	338,425	355,124
FGPC	243,063	272,749
FNPC	188,989	176,099
Red Vulcan	61,998	79,955
FG Hydro	63,669	67,733
	2,860,678	2,962,799
Less: current portion	377,404	285,661
	\$2,483,274	\$2,677,138

EDC

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

Creditor/Project	Maturities	Interest Rates	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
US\$300.0 Million Notes	January 20, 2021	6.5%	\$298,162	\$297,991
Peso Public Bonds				
▪ Series 2 - ₱3.5 billion	December 4, 2016	9.3327%	74,286	74,189
International Finance Corporation (IFC)				
▪ IFC 1- ₱4.1 billion	2012-2033	7.4% per annum for the first five years subject to repricing for another five to ten years	\$50,302	\$53,869
▪ IFC 2 - ₱3.3 billion	2013-2025	6.6570%	49,923	52,523
Fixed Rate Note Facility (FXCN)				
▪ ₱4.0 billion	2012-2022	6.6108% per annum from April 4, 2012 to April 30, 2015 and 5.25% from April 30, 2015 until maturity	77,999	79,412
▪ ₱3.0 billion	2012-2022	6.6173% per annum from April 4, 2012 to April 30, 2015 and 5.25% from April 30, 2015 until maturity	58,478	59,536
Refinanced Syndicated Term Loan				
▪ US\$175.0 million	2013-2017	LIBOR plus 1.75% margin	95,920	104,479
2013 Peso Fixed-Rate Bonds (FXR)				
▪ ₱4.0 billion	May 3, 2023	4.7312%	84,185	84,136
▪ ₱3.0 billion	May 3, 2020	4.1583%	62,614	62,556
US\$80 Million Term Loan	June 21, 2018	LIBOR plus 1.8% margin	72,024	75,826
EBWPC Loans:				
▪ \$37.5M Commercial Debt Facility	October 23, 2029	LIBOR plus 2.0% margin	34,813	35,593
▪ \$150.0M ECA Debt Facility	October 23, 2029	LIBOR plus 2.35% margin	138,023	141,071
▪ ₱5.6 B Commercial Debt Facility	October 23, 2029	PDST-F rate plus 2.0% margin	112,138	114,714
₱8.5 Billion GCGI Term Loan	March 6, 2022	5.25%	157,694	168,354
₱291.2 Million Term Loan	December 17, 2030	5.75%	6,142	6,140
₱5.0 Billion BGI Term Loan	September 9, 2025	5.25%	98,948	105,210
Total			1,471,651	1,515,599
Less: current portion			231,897	158,912
Noncurrent portion			\$1,239,754	\$1,356,687

The long-term debts are presented net of unamortized debt issuance costs. A rollforward analysis of unamortized debt issuance costs as of June 30, 2016 and December 31, 2015 is as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balances at beginning of period	\$20,830	\$19,407
Additions during the period	–	6,228
Accretion during the period charged to “Interest expense and financing charges” account (see Note 16)	(1,896)	(3,747)
Foreign exchange differences	1	(1,058)
Balances at end of period	\$18,935	\$20,830

EDC Loans

EDC entered into unsecured long-term loan arrangements with domestic and international financial institutions for its various development projects and working capital requirements.

UBP ₱5.0 Billion loan

In June 2016, EDC executed a loan agreement with Unionbank of the Philippines (UBP) for a total amount of ₱5.0 billion. The loan amount will be used for EDC’s capital expenditures and for the refinancing of EDC’s ₱3.5 billion Peso Public bonds that will mature this year. As of June 30, 2016, EDC has not yet drawn any amount from the UBP loan.

US\$300.0 Million Notes

On January 20, 2011, EDC issued a 10-year \$300.0 million notes (₱13,350.0 million) at 6.50% interest per annum which will mature in January 2021. The notes are intended to be used by EDC to support the business expansion plans, finance capital expenditures, service debt obligations and for general corporate purposes. Such notes are listed and quoted on the Singapore Exchange Securities Trading Limited (SGX-ST).

Peso Public Bonds

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

Effective November 14, 2013, certain covenants of the peso public bonds have been aligned with the 2013 peso fixed-rate bonds through consent solicitation exercise held by EDC. Upon securing the required consents, a Supplemental Indenture embodying the parties’ agreement on the proposed amendments was signed on November 7, 2013 between EDC and Rizal Commercial Banking Corporation (RCBC)-Trust and Investments Group in its capacity as trustee for the bondholders. On June 4, 2015, EDC fully settled the \$188.5 million (₱8,500.0 million) fixed-rate Peso public bonds.

IFC

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

On May 20, 2011, EDC signed a 15-year \$75.0 million loan facility with IFC to fund its medium-term capital expenditures program. The loan was drawn in Peso on September 30, 2011, amounting to \$69.3 million (₱3,262.5 million). The loan is payable in 24 equal semi-annual installments after a three-year grace period at an interest rate of 6.657% per annum. The loan includes prepayment option which allows EDC to prepay all or part of the loan anytime starting from the date of the loan agreement until maturity. The prepayment amount is equivalent to the sum of the principal amount of the loan to be prepaid, redeployment cost and prepayment premium.

FXCN

On April 4, 2012, EDC signed a 10-year FXCN facility agreement amounting to ₱7.0 billion which is divided into two tranches. The proceeds from the first tranche amounting to ₱3.0 billion were used to prepay in full the Series One and Series Three of the previously issued FRCN totaling to ₱2,781.4 million. Subsequently, on May 3, 2012, the FRCN Series Two was also prepaid in full for ₱4,211.1 million using the proceeds from the second FXCN tranche amounting to ₱4.0 billion. The FXCN tranches 1 and 2 bears a coupon rate of 6.6173% and 6.6108% per annum, respectively.

In 2015, debt issuance costs amounting to \$2.4 million was capitalized as part of the new FXCN.

Due to the steady decline in interest rates over the past two years, and the cessation of the use of the PDST-F as a benchmark rate, EDC and the noteholders have deemed it appropriate to amend the FXCN loan agreement on April 30, 2015, to revise the interest rate levels and to effect other amendments in order to align the same with the other loan covenants of EDC. Changes in interest rates are as follows: Tranche 1 (₱3.0 billion) – from 6.6173% to 5.25% and Tranche 2 (₱4.0 billion) – from 6.6108% to 5.25%.

Refinanced Syndicated Term Loan

On June 17, 2011, EDC entered into a credit agreement for the \$175.0 million (₱7,630.0 million) transferable syndicated term loan facility with ANZ, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU), Chinatrust (Philippines) Commercial Banking Corporation, ING Bank N.V., Manila Branch, Maybank Group, Mizuho, and Standard Chartered Bank as Mandated Lead Arrangers and Bookrunners. The purpose of the new loan is to refinance the old \$175.0 million syndicated term loan availed on June 30, 2010 with scheduled maturity of June 30, 2013. The new loan carries an interest of LIBOR plus a margin of 175 basis points and has installment repayment scheme to commence on June 27, 2013 until June 27, 2017.

2013 Peso Fixed-Rate (FXR) Bonds

On May 3, 2013, EDC issued fixed-rate peso bonds with an aggregate principal amount of \$162.0 million (₱7.0 billion). The FXR bonds, which have been listed on the Philippine Dealing & Exchange Corp. (PDEX), are comprised of \$69.4 million (₱3.0 billion) seven-year bonds at 4.1583% and \$92.6 million (₱4.0 billion) 10-year bonds at 4.7312% due on May 3, 2020 and May 3, 2023, respectively. Interest is payable semi-annually starting November 3, 2013. Transaction costs incurred in connection with the issuance of the seven-year bonds and 10-year bonds amounted to \$0.9 million and \$1.2 million, respectively. The net proceeds of the FXR bonds were used to partially fund the 87 MW Burgos Wind Project located in Burgos, Ilocos Norte.

US\$80 Million Term Loan

On March 21, 2013, EDC entered into a credit agreement with certain banks to avail of a term loan facility of up to \$80.0 million with availability period of 12 months from the date of the agreement.

On December 6, 2013, EDC availed of the full amount of the term loan with maturity date of June 21, 2018. The proceeds are intended to be used by EDC for business expansion, capital

expenditures, debt servicing and for general corporate purposes. The term loan carries an interest rate of 1.8% margin plus London Interbank Offered Rate (LIBOR). Debt issuance costs related to the term loan amounted to \$1.9 million, including front-end fees and commitment fee.

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

EBWPC Loan

On October 17, 2014, EDC secured a \$315.0 million financing facility agreement, which covers a Peso Commercial Debt Facility of ₱5.6 billion, an ECA Debt Facility of \$150.0 million, and a USD Commercial Debt Facility of \$37.5 million, from local and foreign banks for the construction of the 150 MW Burgos Wind Project in Ilocos Norte. The facility consists of US Dollar and Philippine Peso-denominated tranches will mature in 15 years. Portion of the proceeds received from the financing facility was used to settle the outstanding bridge loans availed in October 2014. Total borrowing costs amounted to \$1.8 million.

Under the agreement of the EBWPC's project financing, EBWPC's debt service is guaranteed by EDC. In the last quarter of 2014, EBWPC entered into four (4) interest rate swap agreements with an aggregate notional amount of \$150 million. This is to partially hedge the interest rate risks on its ECA and Commercial Debt Facility (Hedged Loan) that is benchmarked against six (6) months U.S. LIBOR.

On June 15, 2015, EBWPC has fully drawn the \$315.0 million financing agreement in ECA Debt Facility, USD Commercial Debt Facility, and the Peso Commercial Debt Facility with various banks. As part of the agreement, EBWPC will provide a DSRA which will cover the principal and interest payments of the loan in the next six (6) months (see Note 11).

GCGI Loan

On March 6, 2015, GCGI completed the execution of separate loan agreements with Asia United Bank Corporation, Bank of the Philippine Islands (BPI), BDO Unibank, Inc. (BDO), Development Bank of the Philippines (DBP), Land Bank of the Philippines (Landbank), RCBC, Robinsons Bank Corporation, and Union Bank of the Philippines (Union Bank) for the total amount of \$180.6 million (₱8.5 billion) at 5.25% per annum maturing on March 6, 2022. BDO Capital and Investment Corporation acted as sole arranger.

BGI Loan

On September 9, 2015, BGI completed the execution of separate loan agreements with BDO, BPI, and Security Bank for the total amount of \$106.2 million (₱5.0 billion) with a maturity period of 10 years. The initial drawdown amounting to ₱2.5 billion was made on October 7, 2015, while the remaining ₱2.5 billion was drawn on December 7, 2015. BGI may voluntarily prepay all or any part of the principal amount of the loan commencing on and from the 42nd month of the initial drawdown date with a prepayment penalty. BDO Capital and Investment Corporation acted as a structuring supervisor and sole bookrunner. As part of the agreement, BGI will provide a DSRA which will cover the principal and interest payments of the loan in the next six (6) months (see Note 11).

₱291.2 Million Term Loan

On December 8, 2015, EDC secured a ₱291.2 million loan from DBP. The term loan carries an interest rate of 5.75% per annum and will mature on December 17, 2030. The proceeds were used to finance the Burgos Solar Phase 1 project.

Bridge Loans

On June 16, 2014, EDC signed a two-year loan facilities with an aggregate principal amount of ₱2,700.0 million (\$60.2 million) with PNB and Security Bank. Of the total amount, PNB provided ₱1,300.0 million (\$29.0 million) and Security Bank provided ₱1,400.0 million (\$31.2 million). On August 18, 2014, EDC fully availed the \$60.2 million loan.

On June 27, 2014, EDC has secured another bridge financing facility from Australia and New Zealand Banking Group Limited (ANZ) and Mizuho Corporate Bank, Ltd. (Mizuho) amounting to \$90.0 million and was fully availed on July 31, 2014.

The bridge loans were partially used to finance the construction of Phase 2 of the 150MW Burgos Wind Project. In 2014, part of the proceeds from the \$315.0 million financing agreement for the construction of the 150 MW Burgos Wind Project was used to prepay the bridge loans availed in June 2014.

Loan Covenants

The loan covenants covering EDC's outstanding debts include, among others, maintenance of certain level ratios such as: current ratio, debt-to-equity ratio, net financial debt-to-adjusted EBITDA, and debt-service coverage ratios. As of June 30, 2016 and December 31, 2015, EDC, EBWPC, GCGI, and BGI are in compliance with the loan covenants of all its outstanding debts.

Parent Company

\$300.0 Million Notes

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

The Parent Company may, at its option, redeem all, (but not part) of the Notes at any time at par, plus accrued interest, in the event of certain tax changes. Upon the occurrence of a Change of Control, the Noteholders shall have the right, at its option, to require the Parent Company to repurchase all, (but not part) of the outstanding Notes at a redemption price equal to 101.0% of the principal amount plus accrued and unpaid interest, no earlier than 30 days and no later than 60 days following notice given to Noteholders of a Change of Control. The Parent Company may at any time and from time to time prior to October 9, 2018 redeem all or a portion of the Notes at a redemption price equal to 100.0% of the principal amount of the Notes redeemed, plus the Applicable Premium, accrued and unpaid interest, if any, to (but not including) the date of redemption. In addition, at any time prior to October 9, 2018, the Parent Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes, at a redemption price equal to 106.5% of the principal amount of notes redeemed plus accrued and unpaid interest, with the net cash proceeds of certain equity offerings. Finally, at any time and from time to time after October 9, 2018, the Parent Company may on any one or more occasions redeem all or a part of the Notes at a specified redemption price (expressed in percentages of the principal amount) plus accrued and unpaid interest, if any, to (but not including) the date of redemption.

The Notes are direct, unconditional and unsecured obligations of the Parent Company, ranking *pari passu* among themselves and at least *pari passu* with all other present and future unsecured

and unsubordinated obligations of the Parent Company, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditor's right. As of June 30, 2016 and December 31, 2015, the Parent Company is in compliance with the terms of the Notes.

The movements of the unamortized debt issuance costs account as of June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balances at beginning of period	\$2,947	\$3,227
Accretion during the period charged to the "Interest expense and financing charges" account (see Note 16)	(147)	(280)
Balances at end of period	\$2,800	\$2,947

\$200.0 Million Term Facility

On September 22, 2015, the Parent Company signed an unsecured \$200.0 million Term Loan Agreement with BDO as lender and BDO Capital as Arranger. The proceeds are intended to be used to repay invest in and/or finance the Parent Company's subsidiaries to enable the latter to fund capital expenditures for the 414 MW San Gabriel natural gas-fired power plant and other projects, and fund other general corporate requirements. On September 29, 2015, the Parent Company fully availed the term loan of \$200.0 million that will fully mature in September 2025.

The interest rate of the loan is computed semi-annually, every September and March, using fixed interest rates of: (i) 4.90% per annum from drawdown date to March 29, 2016 (repricing date), and (ii) 5.09% per annum each successive six months from repricing date to maturity date.

In addition, the facility imposes standard loan covenants on the Parent Company and requires the Parent Company to maintain a debt service coverage ratio of at least 1.2:1 and a debt-to-equity ratio of at most 2.5:1. The obligations of the Parent Company under this Term Loan Agreement are unsecured. As of June 30, 2016, the Parent Company is in compliance with the terms of the Term Loan Agreement.

The movements of the unamortized debt issuance costs account as of June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balances at beginning of period	\$1,513	\$1,662
Accretion during the period charged to the "Interest expense and financing charges" account (see Note 16)	(196)	(149)
Balances at end of period	\$1,317	\$1,513

\$100.0 Million Notes Facility

On December 17, 2010 (the "Effective Date"), the Parent Company, BDO, and BDO Capital & Investment Corporation (as Arranger) executed the unsecured Notes Facility Agreement granting the Parent Company a facility to borrow an aggregate principal amount of \$100.0 million. The Notes Facility was equally divided into two tranches: (i) Tranche A with a term of six years from drawdown date and (ii) Tranche B with a term of seven years from drawdown date. The maturity of Tranche A and Tranche B was expected to be on March 29, 2017 and March 29, 2018, respectively.

The Notes Facility offered the Parent Company the option of pricing the loan at a fixed or floating rate. The Parent Company elected to avail of the loans at fixed interest rates of 6.4979% and 6.8052% initially for Tranche A and Tranche B, respectively. The interest on the Notes Facility was payable on a semi-annual basis.

On October 11, 2012, the Parent Company and BDO executed an amendment to the Notes Facility Agreement to amend the interest rate to 5.09091% for both Tranche A and Tranche B effective October 16, 2012 until the respective maturity dates.

On September 29, 2015, the Parent Company made its last debt service payment and voluntarily prepaid the full outstanding principal plus accrued interest totaling to \$96.4 million.

FGP

On October 3, 2012 (the “Refinancing Date”), FGP entered into a Facility Agreement covering a \$420.0 million term loan facility with seven local banks namely: BDO, BPI, PNB, RCBC, Union Bank, The Hongkong and Shanghai Banking Corporation Limited, and Security Bank. The proceeds will be used to repay in full the aggregate principal, accrued interest and fees outstanding under the existing facilities, to fund the debt service reserve amount in the debt reserve account, to fund FGP’s general and corporate working capital requirements, and to upstream the remaining balance to First Gen to fund its investments in other power projects.

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

With respect to the term loan facility, the interest rate is computed semi-annually, every June and December, using the six-month LIBOR floating benchmark rate plus 225 basis points, except for the first and the last interest periods wherein the benchmark rate will be the LIBOR for such period nearest to the duration of the first and the last interest periods, respectively. The term loan facility offers FGP the one-time option to reset the floating interest rate to a fixed interest rate to be applicable to all or a portion of the outstanding loans on December 10, 2015 or on December 10, 2017 by informing the facility agent five (5) banking days prior to the effective date of the resetting of the interest rate. The fixed interest rate shall be effective on December 10, 2015 to December 10, 2017, as applicable. FGP did not avail the option to reset the floating interest rate to a fixed interest rate on December 10, 2015.

The movements of the unamortized debt issuance costs account as of June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balances at beginning of period	\$2,876	\$3,503
Accretion during the period charged to “Interest expense and financing charges” account (see Note 16)	(301)	(627)
Balances at end of period	\$2,575	\$2,876

The covenants in the term loan facility of FGP’s financing agreement are limited to restrictions with respect to: change in corporate business; amendment of constituent documents; incurrence of other loans; granting of guarantees or right of set-off; maintenance of good, legal and valid title to

the critical assets of the site free from all liens and encumbrances other than permitted liens; transactions with affiliates; and maintenance of specified debt service coverage ratio and debt to equity ratio. FGP's real and other properties and shares of stock are no longer mortgaged and pledged as part of security to the lenders. Instead, FGP covenants to its lenders that it shall not permit any indebtedness to be secured by or to benefit from any lien on the critical assets of the site except with the consent of the lenders. As of June 30, 2016 and December 31, 2015, FGP is in compliance with the terms of the said agreement.

FGPC

On November 14, 2008 (the "Refinancing Date"), FGPC entered into a Bank Facility Agreement covering a \$544.0 million term loan facility with nine foreign banks namely: BTMU, Calyon, KfW IPEX Bank GMBH, ING Bank N.V. (Singapore Branch), Bayerische Hypo-Und Vereinsbank AG (Hong Kong Branch), Malayan Banking Berhad, SCB, Société Générale (Singapore Branch) and Kreditanstalt Für Wiederaufbau (KfW) to refinance the Santa Rita project. The term loan is broken down into three separate facilities namely: (i) a Covered Facility with PRI amounting to \$312.0 million with a tenor of 12.5 years, (ii) an Uncovered Facility amounting to \$188.0 million with a ten-year tenor, and (iii) the then existing \$44.0 million term loan provided by KfW which matured in November 2012. A portion of the proceeds of the term loan was used to repay the outstanding loans of FGPC amounting to \$132.0 million and the remaining balance was upstreamed to FGPC's shareholders as dividends and advances which are interest-bearing. Such advances to shareholders are subject to interest rate of 175 basis points over the average of the rate for the six months U.S. dollar deposits quoted by three reputable reference banks in the Philippines, provided however, that such interest rate shall in no case exceed 5.8%.

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

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

In 2010, Bayerische Hypo-Und Vereinsbank AG (Hong Kong Branch) and Société Générale (Singapore Branch) assigned all of their rights and obligations under the financing agreements up to the amounts of \$10.0 million (which is comprised of \$5.0 million principal amount of the Covered Facility and \$5.0 million principal amount of the Uncovered Facility) to GE Capital Corporation and \$5.5 million (principal amount of Uncovered Facility) to BDO, respectively. In 2012, Société Générale (Singapore Branch) assigned all of its rights and obligations under the financing agreements up to \$19.9 million of principal amount of the Covered Facility to Allied Bank which was subsequently transferred to PNB as a result of merger of the two banks effective February 9, 2013. In addition, last November 18, 2015, GE Capital Corporation assigned all outstanding loans to GE Capital EFS Financing, Inc. as part of their re-organization (which is comprised of \$3.63 million principal amount of the Covered Facility and \$1.44 million principal amount of the Uncovered Facility).

However, the existing swap contracts (see Note 20) with Bayerische Hypo-Und Vereinsbank AG (Hong Kong Branch) and Société Générale (Singapore Branch) were not assigned.

The movements of the unamortized debt issuance costs account as of June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balances at beginning of period	\$3,544	\$4,900
Accretion during the period charged to “Interest expense and financing charges” account (see Note 16)	(588)	(1,356)
Balances at end of period	\$2,956	\$3,544

The Common Terms Agreement of the FGPC financing facility contain covenants concerning restrictions with respect to, among others: maintenance of specified debt service coverage ratio; acquisition or disposition of major assets; pledging of present and future assets; change in ownership; any acts that would result in a material adverse effect on the operations of the Santa Rita power plant; and maintenance of good, legal and valid title to the site free from all liens and encumbrances other than permitted liens. As of June 30, 2016 and December 31, 2015, FGPC is in compliance with the terms of the said agreement.

FGPC also entered into separate agreements in connection with its financing facilities as follows:

- Mortgage, Assignment and Pledge Agreement whereby a first priority lien on most FGPC’s real and other properties, including revenues from the operations of the Santa Rita power plant, has been executed in favor of the lenders. In addition, the shares of stock of FGPC were pledged as part of security to the lenders.
- Inter-Creditor Agreements, which describe the administration of the loans.
- Trust and Retention Agreement (TRA) with the lenders’ designated trustees. Pursuant to the terms and conditions of the TRA, FGPC has established various security accounts with designated account banks, where inflows and outflows of proceeds from loans, equity contributions and project revenues are monitored. FGPC may withdraw or transfer moneys from these security accounts, subject to and in accordance with the terms and conditions of the TRA.

FNPC

On July 10, 2014, FNPC signed a \$265.0 million Export Credit Facility with KfW IPEX-Bank of Germany (KfW) with a tenor of 13.7 years to partially finance the 414 MW San Gabriel natural gas-fired power project. This facility has an export credit guarantee provided by Euler Hermes, acting on behalf of the Federal Republic of Germany. The proceeds of the loan will be used primarily to finance the eligible German and non-German goods and services under the Supply Contract of FNPC with Siemens AG, the equipment supplier. FNPC (as the Borrower) and AlliedGen (as the Pledgor) also signed a Pledge Agreement wherein AlliedGen has pledged over 100% of the issued and outstanding capital stock of FNPC in favor of KfW. Furthermore, the Parent Company signed a Guarantee and Indemnity Agreement with KfW, guaranteeing FNPC’s punctual performance on all its payment obligations under the Export Credit Facility loan agreement. With respect to the Export Credit Facility, the interest is paid semi-annually, every March and September, using the fixed interest rate (per annum) of 3.12% plus 25 basis points.

As of June 30, 2016 and December 31, 2015, FNPC made a total drawdown on the Export Credit Facility amounting to \$207.1 million and \$194.0 million, respectively.

In addition, FNPC pays a commitment fee 0.6% per annum on the undrawn amount. As of June 30, 2016 and December 31, 2015, total deferred debt issuance costs pertaining to the undrawn portion amounts to \$6.0 million and \$7.2 million, respectively. These amounts are

included in the “Other noncurrent assets” account in the unaudited interim consolidated statements of financial position (see Note 11).

The movements of the unamortized debt issuance costs account as of June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balances at beginning of period	\$17,855	\$9,406
Additions during the period	1,467	10,509
Accretion during the period charged to “Property, plant and equipment” account	(1,239)	(2,060)
Balances at end of period	\$18,083	\$17,855

Red Vulcan

On November 26, 2007 (the “Drawdown Date”), Red Vulcan availed of Philippine peso-denominated staple financing amounting to \$658.8 million (₱29,200.0 million) (the “Secured Indebtedness”) in relation to the stake sale of 60% of EDC’s issued and outstanding capital stock under an Omnibus Loan and Security Agreement (the “Staple Financing Agreement”). The Staple Financing was originally made available by a group of local lenders; namely, the DBP, BDO, and Landbank (collectively referred to as the “Staple Financing Lenders”). The interest rate of the Secured Indebtedness was computed using the 6-month PDST-F benchmark rate plus the applicable interest margin. Red Vulcan opted to use a semi-annual rate based on PDST-F. The staple financing was for a maximum term of 18 months from Drawdown Date.

As was set forth in the Staple Financing Agreement, Red Vulcan is restricted to declare or pay dividends (other than stock dividend) to its stockholders or partners without the consent of all Staple Financing Lenders. Red Vulcan is also restricted, except for permitted borrowings, to incur any long-term debts, increase its borrowings, or re-avail of existing facilities with other banks or financial institutions. In addition, all of the shares of stock held by Red Vulcan in EDC at that time, which represented 60% of EDC’s issued and outstanding capital stock, consisting of 6,000.0 million common stocks and 7,500.0 million preferred stocks (collectively, the “Pledged Shares”), were pledged as primary security for the due and prompt payment of the Secured Indebtedness. The Pledged Shares were adjusted to effect the 25% stock dividend to the shareholders of EDC declared in 2009.

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

On May 14, 2009 (the “Closing Date”), Red Vulcan signed an amended and restated Omnibus Loan and Security Agreement with BDO and BDO Trust (the “Lenders”) to extend the term of the loan for a maximum of five years and one day from the Closing Date, inclusive of two-year grace period on the principal. Interest is payable every May and November of each year at six-month PDST-F benchmark rate plus 2.5% interest margin per annum. In May 2015, the PDST-F was replaced with PDSTR-2 by way of an amendment to the agreement. Several prepayments have been made by Red Vulcan since the beginning of the loan. Moreover, by 2010, BDO remained as the only Lender to Red Vulcan.

Discharged Shares

- I. On July 11, 2011, pursuant to the amended and restated Omnibus Loan and Security Agreement (Amendment No. 3), the Lenders agreed to a partial release of the Pledged Assets and Pledged Shares (“Pledged Securities”). The Lenders instructed the Security Trustee to

release and discharge the pledge and any and all liens in favor of the Lenders on 5,045,508,270 common stock in EDC (the “Discharged Shares”), and the Security Trustee thereafter released and discharged the pledge and any and all liens over the Discharged Shares. After the release of the Discharged Shares, the Pledged Securities consisted of the Pledged Assets on 209,913,000 common stock and preferred stock of Red Vulcan, and the Pledged Shares on 2,454,491,730 common stock and 9,375,000,000 preferred stock of EDC.

- II. On February 21, 2013, pursuant to the amendment and restated Omnibus Loan and Security Agreement (Amendment No. 4), the Lenders agreed to release the Pledged Assets and a partial release of the Pledged Shares. The Lenders instructed the Security Trustee to release and discharge the pledge and any and all liens in favor of the Lenders on 209,913,000 common stock and preferred stock of Red Vulcan, and on 9,375,000,000 preferred stock of EDC. After the release of the Discharged Shares, the Pledged Securities now only consists of the Pledged Shares on 2,454,491,730 common stock of EDC.

Also pursuant to Amendment No. 4 of the Staple Financing Agreement, the Lenders agreed to extend the term of the loan for another three years and six months from the original maturity date of May 15, 2014. The loan will mature on November 14, 2017.

The unamortized debt issuance costs incurred in connection with the availment of long-term debt by Red Vulcan are deducted against the long-term debt. Movements of debt issuance costs are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balances at beginning of period	\$269	\$566
Accretion during the period charged to “Interest expense and financing charges” account (see Note 16)	(106)	(279)
Foreign exchange difference	–	(18)
Balances at end of period	\$163	\$269

FG Hydro

On May 7, 2010, FG Hydro signed a secured loan agreement for a \$112.0 million (₱5.0 billion) Peso loan with PNB and Allied Bank with a tenor of ten years. With the merger of PNB and Allied Bank in February 2013, FG Hydro’s outstanding loan as of that date was consolidated under PNB. The loan is secured by a Real Estate and Chattel mortgages on all present and future mortgageable assets of FG Hydro. The loan carried interest at 9.025% subject to re-pricing after five years.

On November 7, 2012, FG Hydro’s outstanding loan amounting to \$103.8 million (₱4.3 billion) was restructured by way of an amendment to the loan agreement. The amended agreement provided for a change in the determination of the applicable interest rates and extended the maturity date of the loan by two years with the last repayment to be made on November 7, 2022. FG Hydro has the option to select its applicable interest rate between a fixed or a floating interest rate. FG Hydro initially opted to avail of the loan at the floating rate which was the higher of the six-month PDST-F rate plus a margin of 1.50% per annum or the BSP overnight rate plus a margin of 1% per annum as determined on the interest rate setting date. On May 7, 2015, both parties agreed to replace the six-month PDST-F rate with the six-month PDST-R2 rate as the floating benchmark rate, while the floor rate for a floating loan was pegged at the BSP overnight rate. FG Hydro still has a one-time option to convert to a fixed interest rate for the remaining life of the loan at least five days before any interest setting date. The principal and the interest on the loan are payable on a semi-annual basis. On February 29, 2016, the loan agreement was amended to release from the loan security all present and future chattel and non-critical real assets as specified under the amendment.

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

FG Hydro is obligated to comply with certain covenants with respect to maintaining specified debt-to-equity and minimum debt service coverage ratios, as set forth in its loan covenant with creditors. As of June 30, 2016 and December 31, 2015, FG Hydro is in compliance with those covenants.

The unamortized debt issuance costs incurred in connection with the availment of long-term debt by FG Hydro were deducted against the long-term debt. As of June 30, 2016 and December 31, 2015, the unamortized debt issuance costs incurred amounted to nil.

14. Other Noncurrent Liabilities

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Asset retirement obligations (Note 9)	\$25,895	\$25,180
Provision for sick and vacation leaves	9,129	9,395
Others	14,721	14,069
	\$49,745	\$48,644

Asset Retirement Obligations

This account consists of the asset retirement obligations of FGP, FGPC and FG Bukidnon. Under their respective ECC's, FGP and FGPC have legal obligations to dismantle their respective power plant assets at the end of their useful lives. FG Bukidnon, on the other hand, has contractual obligation under the lease agreement with PSALM to dismantle its power plant asset at the end of its useful life. FGP, FGPC and FG Bukidnon established their respective provisions to recognize their estimated liability for the dismantlement of the power plant assets.

This account also includes the provision for rehabilitation and restoration costs of EDC which pertain to the present value of estimated costs of legal and constructive obligations required to restore all the existing sites upon termination of the cooperation period. The nature of these restoration activities includes dismantling and removing structures, rehabilitating wells, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is constructed or the ground or environment at the site is disturbed. When the liability is initially recognized, the present value of the estimated costs is capitalized as part of the carrying amount of the related FCRS and production wells under "Property, plant and equipment" and "Exploration and evaluation assets" accounts (see Note 9).

Provision for sick and vacation leaves

Sick and annual vacation leaves with pay are given to active employees subject to certain requirements set by First Gen Group. These leaves are convertible into cash upon separation of the employees. At the end of the year, any remaining unused sick and vacation leave are accrued up to maximum allowed number of leave credits which is based on the employees' length of service. For EDC, vacation and sick leave credits exceeding the maximum allowed for accrual are forfeited.

The "Others" account include EDC's estimate of the probable costs for the resolution of EDC's pending assessments from various regulatory agencies and pending legal cases. Such estimated

costs were developed in consultation with in-house and external legal counsels and are based on the analysis of the potential outcomes. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

15. Equity

a. Capital Stock

As of June 30, 2016, the Parent Company's redeemable preferred stocks consist of the following:

- The Series "B" preferred stocks have voting rights, entitled to cumulative dividends of two centavos (₱0.02) a share and redeemable at the option of the Parent Company and redeemable at issue price.
- The Series "E" preferred stocks have voting rights, entitled to receive dividends at one centavo (₱0.01) a share and redeemable at the option of the Parent Company.
- The Series "F" preferred stocks have non-voting rights except in the cases provided by law, issue value of one hundred pesos (₱100) a share, dividend rate of 8.0% on the issue price, entitled to receive cumulative dividends, and redeemable at the option of the Parent Company.
- The Series "G" preferred stocks have non-voting rights except in the cases provided by law, issue value of one hundred pesos (₱100) a share, dividend rate of 7.7808% on the issue price, entitled to receive cumulative dividends, and redeemable at the option of the Parent Company.

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

On May 16, 2012, the BOD of the Parent Company approved the extension of the two-year share buyback program which was previously approved by the BOD of the Parent Company on May 12, 2010 covering up to 300.0 million of the Parent Company's common stocks representing approximately 9% of the Parent Company's total outstanding common stocks. The number of shares and buyback period are subject to revision from time to time as circumstances may warrant, subject to the proper disclosures to regulatory agencies, by the BOD of the Parent Company. The Parent Company will undertake a buyback transaction only if and to the extent that the price per share is deemed extremely undervalued, if share prices are considered highly volatile, or in any other instance where the Parent Company believes that a buyback will result in enhancing shareholder value. On May 12, 2014, the stockholders and the BOD of the Parent Company approved the extension of the buyback program for another two years from June 1, 2014 to May 31, 2016 under the same terms and conditions as the original share buyback program. There are no stocks purchased under the program from May 16, 2012 to June 30, 2016.

During the May 12, 2014 Annual Stockholders' Meeting, the stockholders and the BOD of the Parent Company approved a two-year buyback program covering the repurchase of up to ₱5.0 billion worth of Series "F" and "G" redeemable preferred stocks from the open market. The two-year period commenced on June 1, 2014 and will end on May 31, 2016. Under the Series "F" and "G" redeemable preferred stocks buyback program, the maximum amount of the shares and buyback period will be subject to revision by the BOD from time to time as circumstances warrant, subject to proper disclosures to regulatory agencies. The program will not involve active and widespread solicitation from shareholders in general, and not adversely

affect the Parent Company’s prospective and existing development projects. The program will be executed in open market through the trading facilities of the PSE and be implemented under the supervision of the Parent Company’s CEO, President, and CFO. On October 6, 2015, the Parent Company purchased from the open market 36,365,000 Series “F” redeemable preferred stocks at an issue price of ₱110.00 per share. The transaction was made pursuant to a two-year buyback program approved by the BOD on May 12, 2014. Total payments made for the buyback of the Series “F” redeemable preferred stocks amounted to \$85.6 million.

On January 20, 2015, the Parent Company authorized the issuance and sale of an aggregate of 297,029,800 common stocks to be taken from its unissued capital stock and treasury stock at an identical issue price of ₱25.25 per share (the “Offer Price”). The price represents a 2.9% discount to the last traded price of ₱26.00 per share. The placement was conducted via an accelerated bookbuilding process.

On May 11, 2016, the BOD of the Parent Company approved during its Organizational board meeting the two-year extension of the buy-back programs from June 1, 2016 to May 31, 2018. The two-year extension covers the: (i) common stock buy-back program covering up to 300.0 million of the Parent Company’s common stocks; and (ii) Series “F” and “G” Preferred Shares buyback program covering up to ₱10.0 billion worth of said redeemable preferred stocks.

b. Retained Earnings

Following are the dividends declared and paid by the Parent Company in 2016 and 2015:

2016

Declaration date	Record date	Payment date	Shareholders	Description	Dividend per share	Total amount (in USD)	Total amount (in PHP)
Jun. 15, 2016	Jun. 29, 2016	Jul. 25, 2016	Series “F” Preferred	Regular	₱4.00	\$5,440	₱254,540
Jun. 15, 2016	Jun. 29, 2016	Jul. 25, 2016	Series “G” Preferred	Regular	3.8904	9,976	466,848
Jun. 15, 2016	Jun. 29, 2016	Jul. 25, 2016	Series “G” Preferred*	Regular	0.38904	114	5,349
						\$15,530	₱726,737

*Pertains to the 13,750,000 Series “G” preferred stocks issued to FPH by way of private placement.

2015

Declaration date	Record date	Payment date	Shareholders	Description	Dividend per share	Total amount (in USD)	Total amount (in PHP)
Nov. 26, 2015	Dec. 23, 2015	Jan. 25, 2016	Series “B” Preferred	Regular	₱0.02	\$431	₱20,000
Nov. 26, 2015	Dec. 23, 2015	Jan. 25, 2016	Series “E” Preferred	Regular	0.01	101	4,686
Nov. 26, 2015	Dec. 23, 2015	Jan. 25, 2016	Series “F” Preferred	Regular	4.00	5,490	254,540
Nov. 26, 2015	Dec. 23, 2015	Jan. 25, 2016	Series “G” Preferred	Regular	3.8904	10,070	466,848
Nov. 26, 2015	Dec. 23, 2015	Jan. 25, 2016	Series “G” Preferred*	Regular	0.38904	116	5,349
Jul. 22, 2015	Aug. 5, 2015	Aug. 20, 2015	Common	Regular	0.35	28,468	1,281,330
June 15, 2015	July 1, 2015	July 27, 2015	Series “F” Preferred	Regular	4.00	8,966	400,000
June 15, 2015	July 1, 2015	July 27, 2015	Series “G” Preferred	Regular	3.8904	10,464	466,848
June 15, 2015	July 1, 2015	July 27, 2015	Series “G” Preferred*	Regular	0.38904	120	5,349
						\$64,226	₱2,904,950

*Pertains to the 13,750,000 Series “G” preferred stocks issued to FPH by way of private placement.

The retained earnings balance is restricted to the extent of: (a) acquisition price of the treasury shares amounting to \$109.9 million and \$109.0 million as of June 30, 2016 and December 31, 2015, respectively, and (b) the undistributed net earnings of investee companies (including consolidated subsidiaries) amounting to \$464.3 million and \$391.2 million as of June 30, 2016 and December 31, 2015, respectively. Undistributed earnings of the investee companies are not available for dividend distribution until such time that the Parent Company receives the dividends from these investee companies.

c. Treasury Stocks

Movements in the number of common stocks held in treasury are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balances at beginning of period	58,874,700	330,531,400
Common stocks issued through private placement	–	(279,406,700)
Common stocks acquired through market by subsidiaries during the period	2,288,200	7,750,000
Balances at end of period	61,162,900	58,874,700

On January 20, 2015, the Parent Company authorized the issuance of 279,406,700 common stocks to be taken from its treasury stock at issue price of ₱25.25 per share (the “Offer Price”). The price represents a 2.9% discount to the last traded price of ₱26.00 per share.

As of June 30, 2016 and December 31, 2015, the number of common stocks of Parent Company held by subsidiaries totaled to 61,162,900 and 58,874,700, respectively. The costs of these Parent Company common stocks held by subsidiaries amounted to \$24.3 million and \$23.3 million as of June 30, 2016 and December 31, 2015, respectively. These are included as part of “Cost of stocks held in treasury” account in the unaudited interim consolidated statements of financial position.

On October 6, 2015, the Parent Company purchased from the open market 36,365,000 Series “F” redeemable preferred stocks at a market price of ₱110.00 per share. The transaction was made pursuant to a two-year buyback program approved by the BOD on May 12, 2014. Total payments for the buyback of the Series “F” redeemable preferred stocks amounted to ₱4.0 billion (\$85.6 million).

16. Costs and Expenses

Costs of sale of electricity

	For the Six-Month Periods Ended June 30	
	2016	2015
Fuel cost	\$265,678	\$406,044
Depreciation and amortization (Notes 9 and 10)	89,706	87,715
Power plant operations and maintenance	76,401	89,438
Others	21,928	19,417
	\$453,713	\$602,614

General and administrative expenses

	For the Six-Month Periods Ended June 30	
	2016	2015
Staff costs	\$38,304	\$40,146
Professional fees	21,440	25,711
Insurance, taxes and licenses	16,765	22,863
Depreciation and amortization (Notes 9 and 10)	4,090	3,717
Parts and supplies issued	1,079	1,691
Repairs and maintenance	1,731	1,719
Provision for impairment loss	954	696

(Forward)

	For the Six-Month Periods Ended June 30	
	2016	2015
Reversal of impairment of spare parts and supplies inventories	(\$195)	(\$175)
Others	8,301	12,126
	\$92,469	\$108,494

Interest Expense and Financing Charges

	For the Six-Month Periods Ended June 30	
	2016	2015
Interest on:		
Long-term debt	\$79,784	\$81,904
Swap fees	5,068	6,494
Liability from litigation	83	389
Accretion on:		
Debt issuance cost (Note 13)	3,234	3,201
Asset retirement obligation (Note 14)	507	447
	\$88,676	\$92,435

17. Earnings Per Share Calculation

	For the Six-Month Periods Ended June 30	
	2016	2015
(a) Net income attributable to equity holders of the Parent Company	\$112,940	\$95,270
Less dividends on preferred stocks	(15,530)	(19,550)
(b) Net income available to common stocks	\$97,410	\$75,720
(c) Weighted average number of common stocks for basic earnings per share	3,600,162,024	3,560,313,890
Basic Earnings Per Share (b/c)	\$0.027	\$0.021

First Gen does not have dilutive common stock equivalents as of June 30, 2016 and 2015.

18. Related Party Transactions

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

The following are the significant transactions with related parties:

- Due to related parties represent noninterest-bearing U.S. dollar and Philippine peso-denominated emergency loans to meet working capital and investment requirements of First Gen Group.
- First Gen Group leases its office premises where its new principal offices are located from Rockwell Land Corporation (Rockwell), a subsidiary of FPH.

- c. The Parent Company is engaged as EDC's consultant to render services pertaining to financial, business development and other matters under a Consultancy Agreement. On March 8, 2015, the Parent Company and EDC agreed to extend the Consultancy Agreement for a period of 24 months, from January 1, 2015 to December 31, 2016, for a monthly fee of \$0.6 million (₦28.4 million, net of withholding taxes plus VAT).
- d. Following the usual bidding process in 2010, EDC awarded to First Balfour a procurement contract for various works such as civil, structural and mechanical/piping works in EDC's geothermal power plants. EDC also engaged the services of Thermaprime Well Services, Inc. (Thermaprime), a subsidiary of First Balfour, for the drilling services such as, but not limited to, rig operations, rig maintenance, well design and engineering. As of June 30, 2016 and December 31, 2015, the outstanding balances of EDC's payables to First Balfour and Thermaprime totalled to \$23.5 million and \$41.6 million, respectively, recorded under "Accounts payable and accrued expenses" account in the unaudited interim consolidated statements of financial position (see Note 12). First Balfour is a wholly owned subsidiary of FPH.
- e. GSPA between PMPC and FGP
On December 4, 2015, PMPC (as "Buyer") and FGP (as "Seller") entered a GSPA wherein the Seller shall sell and tender for delivery to Buyer at the Delivery Point, and Buyer shall purchase and take from Seller the quantities of natural gas determined by Buyer to meet the operating requirements of the Avion Plant, provided that such quantities shall not exceed the Available Daily Gas Quantity and the Available Annual Gas Quantity, as applicable, and provided further that, the Seller shall have no obligation to tender for delivery quantity of natural gas if there is restriction or expected restriction in the availability of natural gas or if the quantity of natural gas is or will not be sufficient after taking into consideration the operational requirements of the Seller.
- f. Intercompany Guarantees
Parent Company
During the May 12, 2014 Annual Stockholders' Meeting and Organizational Meeting of the BOD of the Parent Company, the stockholders and the BOD of the Parent Company approved the confirmation, ratification and approval of the authority of the Parent Company, pursuant to Clause (i) of the Second Article of the Parent Company's Amended Articles of Incorporation, to act as a guarantor or co-obligor or assume any obligation of any person, corporation or entity in which the Corporation may have an interest, directly or indirectly, including but not limited to FNPC, which is the operating company of the 414 MW San Gabriel power plant and PMPC, which is the operating company of the 97 MW Avion power plant, under such terms and conditions as the Parent Company's duly authorized representatives may deem necessary, proper or convenient in the best interests of the Parent Company and its relevant subsidiary.

On July 10, 2014, the Parent Company signed a Guarantee and Indemnity Agreement with KfW, guaranteeing FNPC's punctual performance on all its payment obligations under the Export Credit Facility loan agreement.

As of June 30, 2016 and December 31, 2015, the Parent Company issued guarantees totaling to \$8.5 million and \$6.9 million, respectively, in favor of the Board of Investments (BOI), to guarantee the payment of customs duties waived in the event that FNPC and/or PMPC does not comply with the terms and conditions of their respective Certificates of Authority specifically on the installation and permanent use of imported capital equipment, spare parts and accessories that will be installed in the San Gabriel and Avion power plants. The guarantees shall remain in force until the BOI lifts the same upon compliance by FNPC and PMPC of its obligations under their respective Certificates of Authority.

EDC

EDC issued letters of credit amounting to \$80.0 million in favor of its subsidiary, EDC Chile Limitada, as evidence of its financial support for EDC Chile Limitada's participation in the bids for geothermal concession areas by the Chilean Government. EDC also issued letters of credit in favor of its subsidiaries in Peru, namely, EDC Quellaapacheta and EDC Energia Verde Peru S.A.C. at \$0.3 million each as evidence of EDC's financial support for the geothermal authorizations related to the exploration drilling activities of the said entities.

Terms and Conditions of Transactions with Related Parties. As mentioned above, except for the letters of credit issued by EDC in favor of EDC Chile Limitada, EDC Quellaapacheta and EDC Energia Verde Peru S.A.C., and the Parent Company guarantees issued to FNPC and PMPC in relation to the ongoing construction of San Gabriel and Avion power plants, respectively, there have been no other guarantees provided for or received from any other related party for the period ended June 30, 2016, and the year ended December 31, 2015. The outstanding balances at the end of each period are unsecured and interest-free and settlement occurs in cash.

Details of amounts due from related parties (included in the "Receivables" account) and due to a related party are as follows:

Related Party	Nature of Transactions	Terms	Net Amounts due from/to related parties			
			Transactions for the periods ended			
			June 30, 2016 (Unaudited)	December 31, 2015 (Audited)	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Due from related parties*						
	Interest-free advances	Unsecured & payable by demand				
FPIC	- do -	- do -	(\$756)	\$-	\$16	\$772
FGNEC	- do -	- do -	-	(8)	176	176
LIRF	- do -	- do -	-	(151)	-	-
QRC	- do -	- do -	-	(217)	-	-
Others	- do -	- do -	499	(124)	1,572	1,073
			(\$257)	(\$500)	\$1,764	\$2,021
Due to a related party						
FGHC International Ltd.	Interest-free advances	Unsecured & payable by demand	\$-	\$-	\$145	\$145

*Included as part of "Receivables" (see Note 5 to the unaudited interim condensed consolidated financial statements).

Due from/to related parties - Others are advances to/from FPH, Lopez Holdings and FPH Capital Resources, Inc. (FCRI). Lopez Holdings is the intermediate parent company of First Gen through FPH. FCRI is a subsidiary of FPH.

19. Financial Risk Management Objectives and Policies

First Gen Group's principal financial liabilities are comprised of trade payables and long-term debts, among others. The main purpose of these financial liabilities is to raise financing for First Gen Group's growth and operations. First Gen Group has other various financial assets and liabilities such as cash and cash equivalents, receivables, amounts due to/from related parties and accounts payable and accrued expenses, which arise directly from its operations.

As a matter of policy, First Gen Group does not trade its financial instruments. However, First Gen Group enters into derivative and hedging transactions, primarily interest rate swaps, cross currency swap and foreign currency forwards, as needed, for the sole purpose of managing the relevant financial risks that are associated with First Gen Group's borrowing activities and as required by the lenders in certain cases.

First Gen Group has an Enterprise Wide Risk Management Program which is aimed to identify risks based on the likelihood of occurrence and impact to the business, formulate risk management strategies, assess risk management capabilities and continuously monitor the risk management efforts.

The main financial risks arising from First Gen Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The BOD reviews and approves policies for managing each of these risks.

Credit Risk

First Gen Group trades only with recognized, reputable and creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is First Gen Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the level of the allowance account is reviewed on an ongoing basis to ensure that First Gen Group's exposure to doubtful accounts is not significant.

In the case of EDC, the geothermal and power generation businesses trade with two major customers, NPC and National Transmission Corporation (TransCo), both are government-owned-and-controlled corporations. Any failure on the part of NPC and TransCo to pay their obligations to EDC would significantly affect EDC's business operations. As a practice, EDC monitors closely its collections from NPC and TransCo, and may charge interest on delayed payments following the provisions of the PPAs and REPA, respectively. Receivable balances are monitored on an on-going basis to ensure that EDC's exposure to bad debts is not significant. The maximum exposure of trade receivable is equal to the carrying amount.

With respect to credit risk arising from the other financial assets of First Gen Group, which comprise of cash and cash equivalents, excluding cash on hand, and trade and other receivables, First Gen Group's exposure to credit risk arises from a possible default of the counterparties with a maximum exposure equal to the carrying amount of these instruments.

Credit Risk Exposure. The table below shows the gross maximum exposure to credit risk of First Gen Group as of June 30, 2016 and December 31, 2015:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Financial assets accounted for as cash flow hedge		
Derivative assets	\$6,246	\$8,124
Financial assets at FVPL		
Designated as at FVPL	43,864	30,108
Derivative assets	1,284	–
Total financial assets at FVPL	45,148	30,108
Loans and receivables		
Cash and cash equivalents*	701,134	727,940
Receivables:		
Trade	295,534	308,568
Due from related parties	1,764	2,021
DSRA	29,678	28,140
Others	5,114	6,893
Long-term receivables	861	695
Special deposits and funds	2,764	2,489
Other current assets	4,432	801
Total loans and receivables	1,041,281	1,077,547

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
AFS financial assets		
Debt securities	\$2,846	\$5,497
Equity securities	2,786	598
Proprietary club membership shares	1,014	1,014
Total AFS financial assets	6,646	7,109
	\$1,099,321	\$1,122,888

* Excluding cash on hand

First Gen Group does not hold collateral for its financial assets as security.

The following tables show First Gen Group's aging analysis of financial assets as of June 30, 2016 and December 31, 2015:

June 30, 2016 (Unaudited)							
	Neither Past Due nor Impaired	Past Due but Not Impaired				Past Due and Impaired	Total
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
Loans and receivables:							
Cash and cash equivalents*	\$701,134	\$–	\$–	\$–	\$–	\$–	\$701,134
Trade receivables	210,823	9,596	18,377	56,738	–	2,402	297,936
Due from related parties	1,764	–	–	–	–	–	1,764
Other receivables	5,114	–	–	–	–	–	5,114
Long-term receivables	861	–	–	–	–	2,152	3,013
DSRA	29,678	–	–	–	–	–	29,678
Special deposits and funds	2,764	–	–	–	–	–	2,764
Other current assets	4,432	–	–	–	–	–	4,432
AFS financial assets:							
Debt securities	2,846	–	–	–	–	–	2,846
Equity securities	2,786	–	–	–	–	–	2,786
Proprietary club membership shares	1,014	–	–	–	–	–	1,014
Financial assets at FVPL -							
Designated as at FVPL	43,864	–	–	–	–	–	43,864
Derivative assets	1,284	–	–	–	–	–	1,284
Financial assets accounted for as cash flow hedge -							
Derivative assets	6,246	–	–	–	–	–	6,246
Total	\$1,014,610	\$9,596	\$18,377	\$56,738	\$–	\$4,554	\$1,103,875

December 31, 2015 (Audited)							
	Neither Past Due nor Impaired	Past Due but Not Impaired				Past Due and Impaired	Total
		Less than 30 Days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years		
Loans and receivables:							
Cash and cash equivalents*	\$727,940	\$–	\$–	\$–	\$–	\$–	\$727,940
Trade receivables	273,964	10,123	1,321	23,160	–	2,400	310,968
Due from related parties	2,021	–	–	–	–	–	2,021
Other receivables	6,719	–	–	133	–	41	6,893
Long-term receivables	741	–	–	–	–	1,959	2,700
Special deposits and funds	2,489	–	–	–	–	–	2,489
DSRA	28,140	–	–	–	–	–	28,140
Other current assets	801	–	–	–	–	–	801
AFS financial assets:							
Debt securities	5,497	–	–	–	–	–	5,497
Equity securities	598	–	–	–	–	–	598
Proprietary club membership shares	1,014	–	–	–	–	–	1,014
Financial assets at FVPL -							
Designated as at FVPL	30,108	–	–	–	–	–	30,108
Financial assets accounted for as cash flow hedge -							
Derivative assets	8,124	–	–	–	–	–	8,124
Total	\$1,088,156	\$10,123	\$1,321	\$23,293	\$–	\$4,400	\$1,127,293

* Excluding cash on hand

Credit Quality of Financial Assets

The evaluation of the credit quality of First Gen Group's financial assets considers the payment history of the counterparties.

Financial assets are classified as 'high grade' if the counterparties are not expected to default in settling their obligations, thus, credit risk exposure is minimal. These counterparties normally include banks, related parties and customers who pay on or before due date. Financial assets are classified as 'standard grade' if the counterparties settle their obligations to First Gen Group with tolerable delays. 'Low grade' accounts are accounts, which have probability of impairment based on historical trend. These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms.

As of June 30, 2016 and December 31, 2015, substantially all financial assets are viewed by management as 'high grade', considering the collectability of the receivables and the credit history of the counterparties.

Concentration of Credit Risk

The Parent Company, through its operating subsidiaries FGP and FGPC, earns substantially all of its revenue from Meralco. Meralco is committed to pay for the capacity and energy generated by the San Lorenzo and Santa Rita power plants under the existing long-term PPAs which are due to expire in September 2027 and August 2025, respectively. While the PPAs provide for the mechanisms by which certain costs and obligations including fuel costs, among others, are pass-through to Meralco or are otherwise recoverable from Meralco, it is the intention of the Parent Company, FGP and FGPC to ensure that the pass-through mechanisms, as provided for in their respective PPAs, are followed.

EDC's geothermal and power generation businesses trade with two major customers, namely NPC and TransCo. Any failure on the part of NPC and TransCo to pay their obligations to EDC would significantly affect EDC's business operations.

First Gen Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of the receivables from Meralco, in the case of FGP and FGPC, and the receivables from NPC and TransCo, in the case of EDC.

The table below shows the risk exposure in respect to credit concentration of First Gen Group as of June 30, 2016 and December 31, 2015:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Trade receivables from Meralco	\$124,186	\$156,124
Trade receivables from NPC and TransCo	55,592	40,002
Total credit concentration risk	\$179,778	\$196,126
Total receivables	\$302,412	\$317,482
Credit concentration percentage	59.45%	61.78%

Capital Management

The primary objective of First Gen Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business, comply with its financial loan covenants and maximize shareholder value.

First Gen Group manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust the capital structure, First Gen Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new

shares. No changes were made in the objectives, policies or processes during the period ended June 30, 2016 and the year ended December 31, 2015.

First Gen Group monitors capital using a debt ratio, which is total debt (net of debt issuance costs) divided by total debt plus total equity. The amounts considered as total debt are mostly interest-bearing debt and First Gen Group's practice is to keep the debt ratio lower than 75:25.

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Long-term debts (current and non-current portions)	\$2,860,678	\$2,962,799
Equity attributable to the equity holders of the Parent Company	\$1,690,784	\$1,598,304
Non-controlling interests	424,262	407,179
Total equity	\$2,115,046	\$2,005,483
Total debt and equity	\$4,975,724	\$4,968,282
Debt ratio	57:43	60:40

First Gen Group's subsidiaries are obligated to perform certain covenants with respect to maintaining specified debt-to-equity and minimum debt-service-coverage ratios, as set forth in their respective agreements with the creditors. As of June 30, 2016 and December 31, 2015, First Gen Group is in compliance with those covenants.

20. Financial Instruments

Set out below is a comparison by category of the carrying values and fair values of First Gen Group's financial instruments as at June 30, 2016 and December 31, 2015 that are carried in the unaudited interim condensed consolidated financial statements:

	June 30, 2016 (Unaudited)		December 31, 2015 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Financial assets accounted for as cash flow hedges - Derivative assets	\$6,246	\$6,246	\$8,124	\$8,124
Financial assets at FVPL -				
Designated as at FVPL	43,864	43,864	30,108	30,108
Derivative assets	1,284	1,284	–	–
Total financial assets at FVPL	45,148	45,148	30,108	30,108
Loans and receivables:				
Cash and cash equivalents	704,181	704,181	730,463	730,463
Receivables:				
Trade	295,534	295,534	308,568	308,568
Due from related parties	1,764	1,764	2,021	2,021
Others	5,114	5,114	6,893	6,893
Long-term receivables	861	816	695	687
Special deposits and funds	2,764	2,764	2,489	2,489
DSRA	29,678	29,678	28,140	28,140
Other current assets	4,432	4,432	801	801
Total loans and receivables	1,044,328	1,044,283	1,080,070	1,080,062
AFS financial assets -				
Debt securities	2,846	2,846	5,497	5,497
Equity securities	2,786	2,786	598	598
Proprietary club membership shares	1,014	1,014	1,014	1,014
Total AFS financial assets	6,646	6,646	7,109	7,109
	\$1,102,368	\$1,102,323	\$1,125,411	\$1,125,403

	June 30, 2016 (Unaudited)		December 31, 2015 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Financial liabilities carried at amortized cost:				
Accounts payable and accrued expenses*	\$318,985	\$318,985	\$375,006	\$375,006
Due to a related party	145	145	145	145
Dividends payable	15,443	15,443	15,967	15,967
Long-term debts	2,860,678	3,213,997	2,962,799	3,253,695
Total financial liabilities at amortized cost	3,195,251	3,548,570	3,353,917	3,644,813
Financial liability accounted for as cash flow hedges -				
Derivative liabilities	36,460	36,460	26,493	26,493
	\$3,231,711	\$3,585,030	\$3,380,410	\$3,671,306

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

Fair Value and Categories of Financial Instruments

The fair values of cash and cash equivalents, receivables, other current assets, accounts payable and accrued expenses, due to a related party, and dividends payable approximate the carrying values at financial reporting date, due to the short-term maturities of the transactions.

Long-term Receivables

The fair value of long-term receivables was computed by discounting the expected cash flow using the applicable rates of 3.72% and 3.89% as of June 30, 2016 and December 31, 2015, respectively.

AFS financial assets

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

FGP and FGPC long-term debts

The fair values of long-term debts were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted U.S. dollar interest rates ranging from 0.6782% to 1.0869% and 0.6460% to 1.6270% as of June 30, 2016 and December 31, 2015, respectively.

Parent Company and FNPC long-term debts

The fair values of the Parent Company's and FNPC's U.S. dollar-denominated long-term debts were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted U.S. dollar interest rates on June 30, 2016 and December 31, 2015 ranging from 0.3910% to 1.6650% and 0.3940% to 2.4040%, respectively.

Long-term debts of Red Vulcan, EDC and FG Hydro

The fair values of EDC's and FG Hydro's long-term debts were estimated using the discounted cash flow methodology with the applicable rates ranging from 1.75% to 21.58% on June 30, 2016 and 1.75% to 11.27% on December 31, 2015. The fair value of Red Vulcan's Staple Financing was computed by discounting the instrument's expected future cash flows using the prevailing credit adjusted PDST-R2 interest rates ranging from 1.75% to 2.39% and 2.67% to 3.99% on June 30, 2016 and December 31, 2015, respectively.

Fair Value Hierarchy of Financial Assets and Liabilities

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

- a) Level 1 category includes financial assets and liabilities whose fair value is based on quoted market price in active markets for identical assets and liabilities;
- b) Level 2 category includes financial assets and liabilities whose fair value uses inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- c) Level 3 category includes those financial assets and liabilities whose fair value is derived using inputs that are not based on observable market data.

	June 30, 2016 (Unaudited)			
	Fair value	Level 1	Level 2	Level 3
Loans and receivables:				
Long-term receivables	\$861	\$–	\$–	\$861
AFS financial assets:				
Debt securities	2,846	2,846	–	–
Equity securities	2,786	2,786	–	–
Financial assets accounted for as cash flow hedges -				
Derivative assets	1,284	–	1,284	–
Financial assets at FVPL –				
Designated as at FVPL	43,864	–	43,864	–
Derivative assets	6,246	–	6,246	–
Liabilities at amortized cost –				
Long-term debt	2,860,678	–	–	2,860,678
Financial liabilities accounted for as cash flow hedges -				
Derivative liabilities	36,460	–	36,460	–
December 31, 2015 (Audited)				
	Fair value	Level 1	Level 2	Level 3
Loans and receivables:				
Long-term receivables	\$687	\$–	\$–	\$687
AFS financial assets:				
Debt securities	5,497	5,497	–	–
Equity securities	598	598	–	–
Financial assets accounted for as cash flow hedges -				
Derivative assets	8,124	–	8,124	–
Financial assets at FVPL –				
Designated as at FVPL	30,108	–	30,108	–
Liabilities at amortized cost –				
Long-term debt	2,962,799	–	–	2,962,799
Financial liabilities accounted for as cash flow hedges -				
Derivative liabilities	26,493	–	26,493	–

As of June 30, 2016 and December 31, 2015, there were no transfers between Level 1 and Level 2 fair value measurements and there were no transfers into and out of Level 3 fair value measurements.

Derivative Financial Instruments

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

The tables below show the fair values of First Gen Group's outstanding derivative financial instruments, reported as assets or liabilities, together with their notional amounts as of June 30, 2016 and December 31, 2015 (amounts in millions). The notional amount is the basis upon which changes in the value of derivatives are measured.

	June 30, 2016 (Unaudited)			December 31, 2015 (Audited)		
	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount
Derivatives Designated as Accounting Hedges						
Freestanding derivatives -						
Interest rate swaps	\$–	\$36.46	\$467.58	\$–	\$26.50	\$500.13
Cross currency swaps	6.25	–	75.00	8.12	–	\$110.00
	6.25	36.46		8.12	26.50	
Derivatives Not Designated as Accounting Hedges						
Call Spread Contracts	1.28	–	9.60	–	–	
Total derivatives	\$7.53	\$36.46		\$8.12	\$26.50	
Presented as:						
Current	\$6.25	\$0.49		\$1.24	\$0.11	
Noncurrent	1.28	35.97		6.88	26.39	
Total derivatives	\$7.53	\$36.46		\$8.12	\$26.50	

Derivatives Not Designated as Accounting Hedges

Call Spread Contracts

In March 2016, EDC entered into three (3) call spread swaps with an aggregate notional amount of \$9.6 million. These derivative contracts are designed to hedge the possible foreign exchange loss on a portion of the \$80.0 million Term Loan of EDC.

The aggregate fair value changes on these call spread contracts amounted to \$1.3 million as of June 30, 2016.

Derivatives Designated as Accounting Hedges

First Gen Group has interest rate swaps accounted for as cash flow hedges for its floating rate loans and cross-currency swaps accounted for as cash flow hedges of its Philippine peso and U.S. dollar denominated borrowings, respectively. Under a cash flow hedge, the effective portion of changes in fair value of the hedging instrument is recognized as cumulative translation adjustments in other comprehensive income (loss) until the hedged item affects earnings.

Interest Rate Swaps - FGPC

On November 14, 2008, FGPC entered into eight interest rate swap agreements with the following hedge providers namely: Société Générale (Singapore Branch), Bayerische Hypo-und Vereinsbank AG (Hong Kong Branch), Calyon and SCB. On the same date, FGPC designated the interest rate swaps as hedges of the cashflow variability in the Covered and Uncovered Facilities, attributable to the movements in the six-month LIBOR (see Note 13).

Under the four interest rate swap agreements that hedge 100% of the Covered Facility, FGPC pays a fixed rate of 4.4025% and receives a 6-month U.S. LIBOR on the aggregate amortizing notional amount of \$312.0 million, simultaneous with the interest payments every May and November on the hedged loan. The notional amounts of the interest rate swaps are amortizing based on the repayment schedule of the hedged loan. The interest rate swap agreements have a term of 12 ½ years and will mature on May 10, 2021 (coinciding with the maturity of the hedged loan).

Under the four interest rate swap agreements that hedge 75% of the Uncovered Facility, FGPC pays a fixed rate of 4.0625% and receives a 6-month U.S. LIBOR on the aggregate amortizing notional amount of \$141.0 million, simultaneous with the interest payments every May and November on the hedged loan. The notional amounts of the interest rate swaps are amortizing based on the repayment schedule of the hedged loan. The interest rate swaps have a term of 8 ½ years and will mature on May 10, 2017 (coinciding with the maturity of the hedged loan).

As of June 30, 2016 and December 31, 2015, the aggregate negative fair values of the interest rate swaps that were deferred to “Cumulative translation adjustments” account in the consolidated

statements of financial position amounted to \$16.2 million (net of related deferred income tax effect of \$6.9 million) and \$15.5 million (net of related deferred income tax effect of \$6.7 million), respectively.

Interest Rate Swap - FGP

In April 2013, FGP entered into two interest rate swap agreements with ING Bank and SCB to hedge its floating rate exposure on \$80.0 million of its \$420.0 million term loan facility (see Note 13). Under the interest rate swap agreements, FGP pays a fixed rate of 1.425% and receives a floating rate of U.S. LIBOR, on a semi-annual basis, simultaneous with the interest payments every June and December on the hedged loan.

In May 2013, FGP entered into another interest rate swap agreement with RCBC to hedge its floating rate exposure on another \$20.0 million of the \$420.0 million term loan facility. Under the interest rate swap agreement, FGP pays a fixed rate of 1.28% and receives a floating rate of U.S. LIBOR, on a semi-annual basis, simultaneous with the interest payment every June and December on the hedged loan. The notional amounts of interest rate swaps are amortizing based on the repayment schedule of the hedged loan. The interest rate swaps were designated as cash flow hedges and will mature on June 10, 2020.

As of June 30, 2016 and December 31, 2015, the positive fair values of the interest rate swaps that were deferred to “Cumulative translation adjustments” account in the unaudited interim consolidated statements of financial position amounted \$0.7 million (net of related deferred income tax effect of \$0.3 million) and \$0.5 million (net of related deferred income tax effect of \$0.2 million), respectively.

There was no ineffective portion recognized in the unaudited interim consolidated statements of income for the six-month periods ended June 30, 2016 and 2015.

The outstanding aggregate notional amount and the related cumulative mark-to-market gains and losses of the interest rate swaps designated as cash flow hedges as of June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Notional amount	\$320,578	\$350,134
Cumulative mark-to-market losses	(24,045)	(22,192)
Cumulative mark-to-market gains	–	653

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

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Fair value at beginning of period	(\$21,539)	(\$27,649)
Fair value changes taken into equity during the period	(7,574)	(6,339)
Fair value changes realized during the period	5,068	12,449
Fair value at end of period	(24,045)	(21,539)
Deferred tax effect on cash flow hedges	7,213	6,462
Fair value deferred into equity	(\$16,832)	(\$15,077)

Fair value changes during the period, net of deferred income tax, are recorded in the unaudited interim consolidated statements of comprehensive income, and under the “Cumulative translation adjustments” account in the unaudited interim consolidated statements of financial position. The fair value changes realized during the period were taken into “Interest expense and financing charges” account in the unaudited interim consolidated statements of income. This pertains to the net difference between the fixed interest paid/accrued and the floating interest received/accrued on the interest rate swap agreements as at financial reporting date.

For the six-month periods ended June 30, 2016 and 2015, the fair value changes taken to the unaudited interim consolidated statements of income amounted to \$5.1 million and \$6.5 million, respectively.

Cross Currency Swaps Contracts - EDC

In 2012 and 2014, EDC entered into 6 and an additional 6 non-deliverable cross-currency swap (NDCCS) agreements with an aggregate notional amount of \$65.0 million and \$45.0 million, respectively, to partially hedge the foreign currency and interest rate risks on its Refinanced Syndicated Term Loan that is benchmarked against US LIBOR and with flexible interest reset feature that allows EDC to select what interest reset frequency to apply (i.e., monthly, quarterly, or semi-annually). As it is EDC’s intention to reprice the interest rate on the hedged loan quarterly, EDC utilizes NDCCS with quarterly interest payments and receipts.

Under the NDCCS agreements, EDC receives floating US\$ interest based on 3-month US LIBOR plus 175 basis points and pays fixed peso interest. On specified dates, EDC also receives specified U.S. dollar amounts in exchange for specified peso amounts based on the agreed swap rates. These U.S. dollar receipts correspond with the expected interest and fixed principal amounts due on the hedged loan. Effectively, the 12 NDCCS converted 62.86% of hedged loan into a fixed rate peso loan.

Pertinent details of the NDCCS are as follows:

Notional amount (in million)	Trade Date	Effective Date	Maturity Date	Swap rate	Fixed rate	Variable rate
\$15.00	03/26/12	03/27/12	06/17/17	43.05	4.87%	3-month LIBOR + 175 bps
\$10.00	04/18/12	06/27/12	06/17/17	42.60	4.92%	- do -
\$10.00	05/03/12	06/27/12	06/17/17	42.10	4.76%	- do -
\$10.00	06/15/12	06/27/12	06/17/17	42.10	4.73%	- do -
\$10.00	07/17/12	09/27/12	06/17/17	41.25	4.58%	- do -
\$10.00	10/29/12	12/27/12	06/17/17	41.19	3.44%	- do -
\$7.50	05/14/14	06/27/14	06/17/17	43.60	3.80%	- do -
\$7.50	05/14/14	06/27/14	06/17/17	43.57	3.80%	- do -
\$7.50	06/09/14	06/27/14	06/17/17	43.55	3.60%	- do -
\$7.50	06/09/14	06/27/14	06/17/17	43.55	3.60%	- do -
\$7.50	07/10/14	9/27/14	06/17/17	43.29	3.50%	- do -
\$7.50	07/09/14	9/27/14	06/17/17	43.37	3.68%	- do -

The maturity date of the 12 NDCCS coincides with the maturity date of the hedged loan.

As of June 30, 2016 and December 31, 2015, the outstanding aggregate notional amount of EDC’s NDCCS amounted to \$75.0 million. The aggregate fair value changes on these NDCCS amounting to \$0.4 million gain and \$0.3 million gain were recognized under “Cumulative translation adjustments” account in the unaudited interim consolidated statements of financial position as of June 30, 2016 and December 31, 2015, respectively.

Interest Rate Swap Contracts – EDC

In the last quarter of 2014, EBWPC entered into four (4) interest rate swaps (IRS) with aggregate notional amount of \$150.0 million. This is to partially hedge the interest rate risks on its ECA and Commercial Debt Facility (Foreign Facility) that is benchmarked against US LIBOR and with flexible interest reset feature that allows EBWPC to select what interest reset frequency to apply.

Under the IRS agreement, EBWPC will receive semi-annual interest of 6-month USD-LIBOR and will pay fixed interest. EBWPC designated the IRS as hedging instruments in cash flow hedge against the interest rate risks arising from the Foreign Facility.

Pertinent details of the IRS are as follows:

Notional amount (in million)	Trade Date	Effective Date	Maturity Date	Fixed rate	Variable rate
US\$62.00	10/20/14	12/15/14	10/23/29	2.635%	6-month LIBOR
40.00	10/20/14	12/15/14	10/23/29	2.635	6-month LIBOR
39.00	12/11/14	12/15/14	10/23/29	2.635	6-month LIBOR
9.00	10/20/14	12/15/14	10/23/29	2.508	6-month LIBOR

The maturity dates of the four IRS coincide with the maturity date of the Foreign Facility.

As of June 30, 2016 and December 31, 2015, the outstanding aggregate notional amount of EBWPC's IRS amounted to \$147.0 million. The aggregate fair value changes on these IRS amounted to \$12.4 million loss and \$4.5 million loss as of June 30, 2016 and December 31, 2015, respectively, were recognized under “Cumulative translation adjustments” account in the unaudited interim consolidated statements of financial position.

Hedge Effectiveness Results

Since the critical terms of the hedged loan and the IRS/NDCCS match, except for one to two days timing difference on the interest reset dates, the hedges were assessed to be highly effective. As such, the aggregate fair value changes on these IRS/NDCCS amounting to \$9.7 million loss as of June 30, 2016 and \$5.7 million gain as of December 31, 2015 were recognized under the “Cumulative translation adjustments” account in the unaudited interim consolidated statements of financial position. No ineffective portion was recognized in the unaudited interim consolidated statements of income for the six-month period ended June 30, 2016, and the year ended December 31, 2015.

As of June 30, 2016 and December 31, 2015, the net movements of changes recognized under the “Cumulative translation adjustments” account pertaining to EDC’s cash flow hedges are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balances at beginning of period	(\$3,948)	(\$3,710)
Fair value changes taken into equity during the period	(9,711)	5,727
Fair value changes realized during the period	1,651	(2,091)
Realized foreign exchange movements taken to unaudited interim consolidated statements of income	559	(3,874)
	(11,449)	(3,948)
Deferred income tax effect on cash flow hedges	430	(99)
Fair value deferred into equity	(\$11,019)	(\$4,047)

21. Other Matters

Explanatory comments about the seasonality or cyclical nature of interim operations

Except for FG Hydro's and FG Bukidnon's sale of electricity coming from hydroelectric power/operations, seasonality or cyclical nature of interim operations is not applicable to First Gen Group's type of business because of the nature of its contracts with Meralco and NPC, which includes guaranteed volume under the applicable take-or-pay, minimum energy off-take or contracted energy provisions. BGI's and GCGI's sales to cooperatives and industries are also not subject to seasonality or cyclical nature.

For EDC's Burgos Wind, higher revenue and operating profits are expected in the last quarter of the year based on the generation profile of Burgos. Meanwhile, EDC's Burgos Solar is expected to generate its highest revenue during the summer months.

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

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

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

The key assumptions concerning the future and other key sources of estimation used in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of First Gen Group's annual consolidated financial statements as of and for the year ended December 31, 2015.

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

There are no material changes in the composition of the issuer during the interim period.

Changes in contingent liabilities or contingent assets since the last annual reporting date

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

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

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